

Status of Iraq Reconstruction

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INTRODUCTION

Nearly all of the Iraq Relief and Reconstruction Fund (IRRF) has been spent, and most IRRF-funded reconstruction projects are complete. The focus of Iraq reconstruction is shifting from supplemental funding streams and toward annual budget-cycle allocations to support development assistance.

SIGIR's mandate covers oversight of IRRF 1, IRRF 2, and all reconstruction money made available by the Congress in FY 2006. Funds within SIGIR's jurisdiction include the Economic Support Fund (ESF) for FY 2006, the Commander's Emergency Response Program (CERP), and the Iraq Security Forces Fund (ISFF).

Scope

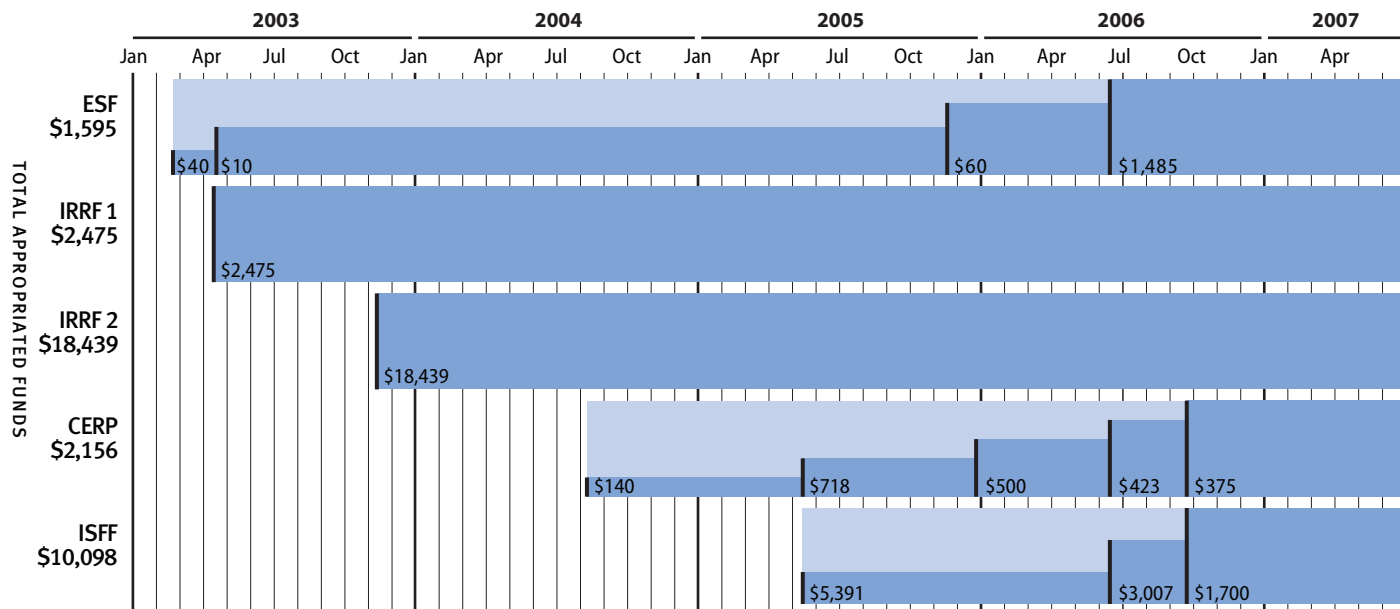
This section provides a review of the goals of IRRF 2, the current status of IRRF-funded reconstruction, and updates on non-IRRF funding streams. For a snapshot of all U.S. funds supporting Iraq reconstruction, see Figures 2-1 and 2-2.

This section analyzes several cross-cutting issues that continue to affect the sustainability of U.S.-funded projects in Iraq and impact development across reconstruction sectors. This section also highlights the continuing challenges in security, capacity development, operations and maintenance (O&M), and budget execution.

The concluding portion of this section provides information on contracts, costs to complete, updates on the sources of funding for Iraq reconstruction, and the continuing effort to support Iraqi anticorruption institutions.

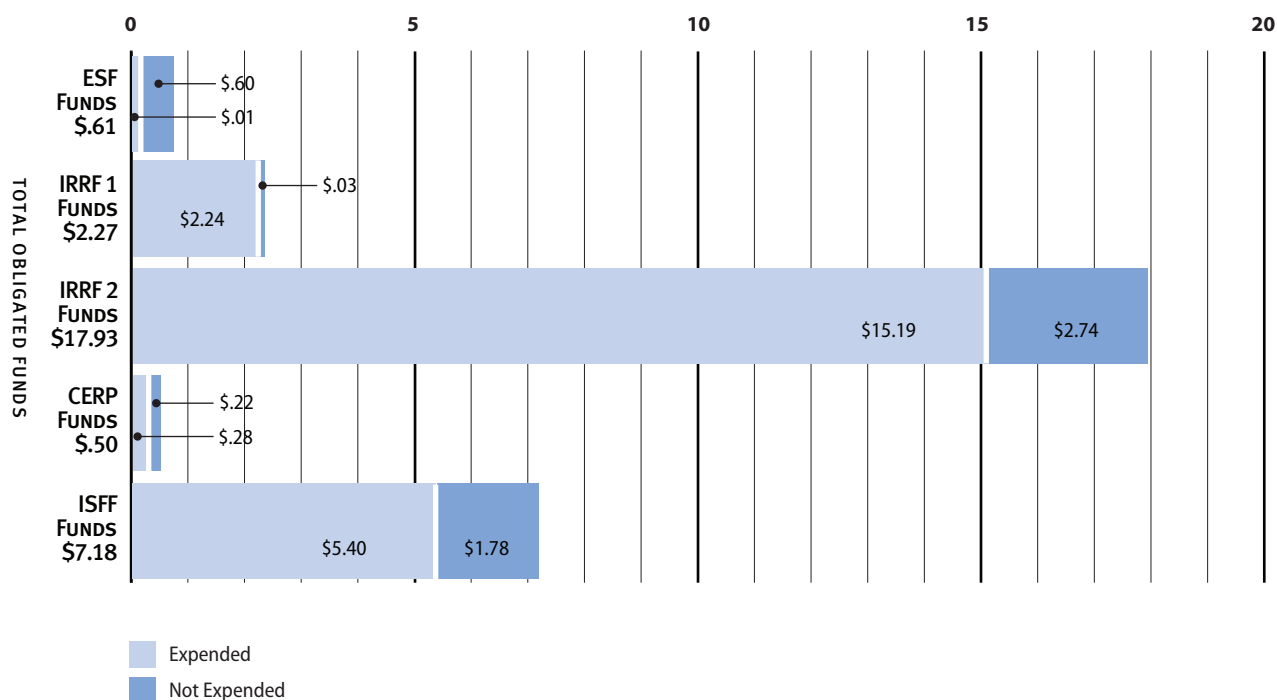
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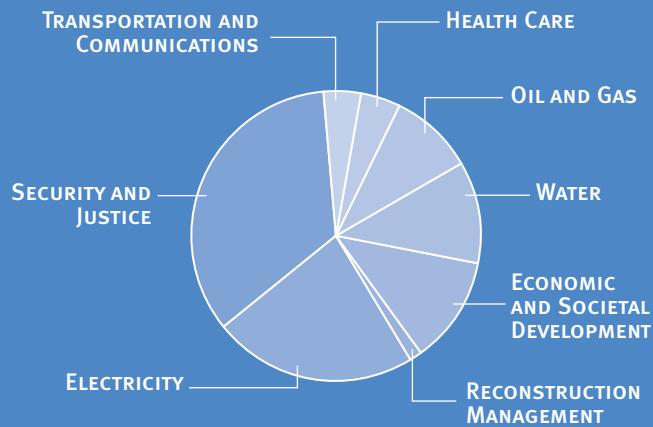
Figure 2-1
TIMELINE OF U.S. APPROPRIATIONS (INDIVIDUAL APPROPRIATIONS BY DATE)
\$ Millions



* ESF, CERP, and ISFF funding listed incrementally

Figure 2-2
SUMMARY OF OBLIGATED U.S. RECONSTRUCTION FUNDING UNDER SIGIR OVERSIGHT
\$ Billions
Source: This funding overview comprises information from various agencies.





IRAQ RELIEF AND RECONSTRUCTION FUND 2

section 2 IRRF 2

In April 2003, the Congress created the Iraq Relief and Reconstruction Fund (IRRF 1), appropriating \$2.475 billion. The reconstruction funds provided under P.L. 108-11 supported relief and reconstruction operations that produced immediate results for the people of Iraq.

In September 2003, the President submitted a \$20.3 billion budget request to the Congress, seeking additional supplemental funding for Iraq-related activities. A portion of this request would “finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust.”³ To support the request, the Coalition Provisional Authority (CPA) developed a document that discussed the current state of each of the key sectors, described illustrative projects, and provided estimated costs.

On November 6, 2003, the Congress approved \$18.4 billion for IRRF 2, emphasizing large-scale infrastructure projects pursuant to CPA’s request. CPA then issued competitively bid contracts to 12 major design-build contractors to execute reconstruction work. CPA created the Program Management Office (PMO) to oversee the program, in conjunction with seven private sector management contractors. USACE partnered with PMO to provide project management and oversight.

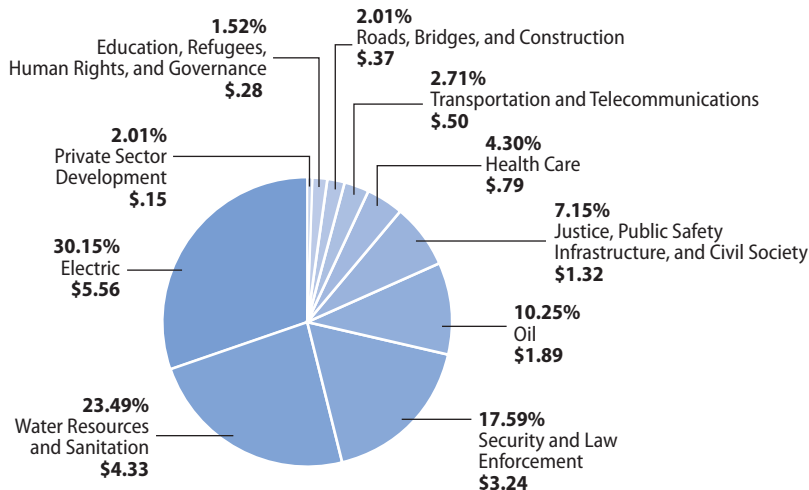
Figure 2-3 and Table 2-1 show how funding was originally allocated among ten sectors.

Figure 2-3

ORIGINAL ALLOCATIONS OF IRRF 2 FUNDS¹

\$ Billions, % of \$18.44 Billion

Source: P.L. 108-106 (11/6/2003)



Note: Numbers may be affected by rounding.

¹ The "Status of the IRRF" analysis focuses only on the \$18.44 billion approved under P.L. 108-106 in November 2003, commonly referred to as IRRF 2. It does not include the \$2.48 billion approved under P.L. 108-11 in April 2003, commonly referred to as IRRF 1.

IRRF 2 ORIGINAL SPEND PLAN

In August 2003, PMO developed the projects that comprised the original program. With the assistance of CPA senior advisors and Iraqi ministries, USACE contractors identified approximately 5,000 projects, developed rough cost estimates for each (including security and program management costs), and prioritized the projects.⁴

CPA senior advisors and military commanders in the field continued to review and

prioritize the projects. In December 2003, PMO finalized a list of approximately 2,300 projects. This list was then approved and published in the first *Section 2207 Report*, in January 2004.⁵

Table 2-1 illustrates PMO's original project plan, by sector and subsector. As allocations, leadership, and priorities changed during the course of the IRRF 2 program, the program of projects also changed.

ORIGINAL PMO SPEND PLAN (MILLIONS)

SECTOR	SUBSECTOR	TOTAL	OUTPUTS
Buildings	Education	\$88	870 schools repaired
	Health	493	14 hospitals, 261 new health clinics, and 1 pediatric hospital
	Public Buildings	40	4 functional ministry headquarters buildings
Buildings Total		\$621	
Communications		322	12 communication projects were planned
Communications Total		\$322	
Electrical	Communication and Control	\$150	1 dispatch center, fiber-optic cable, network rehab, 4 regional control centers, and 7 distribution control centers
	Distribution	1,000	154 substations, 179 feeder projects, and 20 maintenance buildings
	Generation	2,677	5,554 MW
	Transmission	1,542	305 substations, trainees, 923 km of power lines, additional transmission circuits of 2,416 km, PPA long lead items of 506 km equivalent, and SAIDI improvement
Electrical Total		\$5,370	
Public Works, Water Resources and Sanitation	Potable Water	\$2,830	8 million people benefited
	Sewerage	675	1 million people benefited
	Solid Waste	22	6 million people benefited
	Water Conservation	30	502,000 m ³ /day reduction in unaccounted-for water loss
Public Works, Water Resources and Sanitation Total		\$3,557	
Security	Interior	\$48	2 academies
	Interior, Justice	415	5 bases, 6 recruiting, and 1 defense HQ
	Military	461	167 border stations, 3 academies, 21 ports, 12 prisons, 241 fire stations, 164 police stations, 83 courts, 3 customs buildings, and 2 facilities
Security Total		\$924	
Transportation	Aviation	\$165	air navigation services at Baghdad, Basrah, Mosul, and Dahuk airports, and infrastructure at Baghdad, Basrah, and Mosul
	Bridges	64	7 bridges
	Highways	176	800 km of village roads, 140 km of highway, and 70 km of dual carriageway
	Ports	87	repair 6 berths, dredging the port of Umm Qasr, new port infrastructure, equipment and parts at port of Umm Qasr
	Railroads	226	1 railroad station,* 6 bridges, 1 GPS, 560 km of track, 1,337 km of track signalization, 1 LAN system, 1 locomotive repair facility, and installation of 1,200 km of fiber-optic cable
Transportation Total		\$717	
Water Resources and Sanitation	Water Resources	\$775	17 pump stations, 8 irrigation projects, 12 cams, 1 set of regulators, 150 generators, and 1 channel rehab
Water Resources and Sanitation Total		\$775	
PMO Total		\$12,286	
Reserve		\$4,000	
Others**		\$2,153	
IRRF 2 Total		\$18,439	

Note: Numbers may be affected by rounding.

* There is another task order related to railroad station rehabilitation, but the metric is shown as N/A.

** Others include two USACE oil contracts; thus, planned outputs for the Oil Sector are not included in this table.

Source: Former PMO official, September 9, 2006.

TABLE 2-1

RECONSTRUCTION PROGRAM REALIGNMENTS

After CPA transferred its responsibilities to U.S. Mission-Iraq and the Iraqi Interim Government (IIG) in June 2004, the Iraq reconstruction program was realigned several times, reflecting an increased focus on security, economic development, and democracy.

The Iraq Reconstruction Management Office (IRMO) was created under DoS to assume responsibility for the strategic direction of the reconstruction effort. IRMO's review of the reconstruction program resulted in a re-ordering of the funding priorities, which were then submitted to the Congress in a series of approval requests.

September 2004: The Congress approved the realignment of \$3.46 billion. The security sector received the largest increase at \$1.8 billion, most of which went to training and equipping Iraqi forces.⁶ Justice, public safety infrastructure, and civil society received an additional \$470 million, and democracy-building activities received \$380 million. Funds were also shifted to promote institutional reform, private sector development, and agriculture. Each sector's funding increased by \$100 million; \$360 million was allocated to debt forgiveness.⁷

Most of the money for these reallocations was taken out of the water resources and sanitation sector and the electricity sector because they had the most funding, and most projects in these sectors were not scheduled to begin until mid-2005. The funds for the electricity

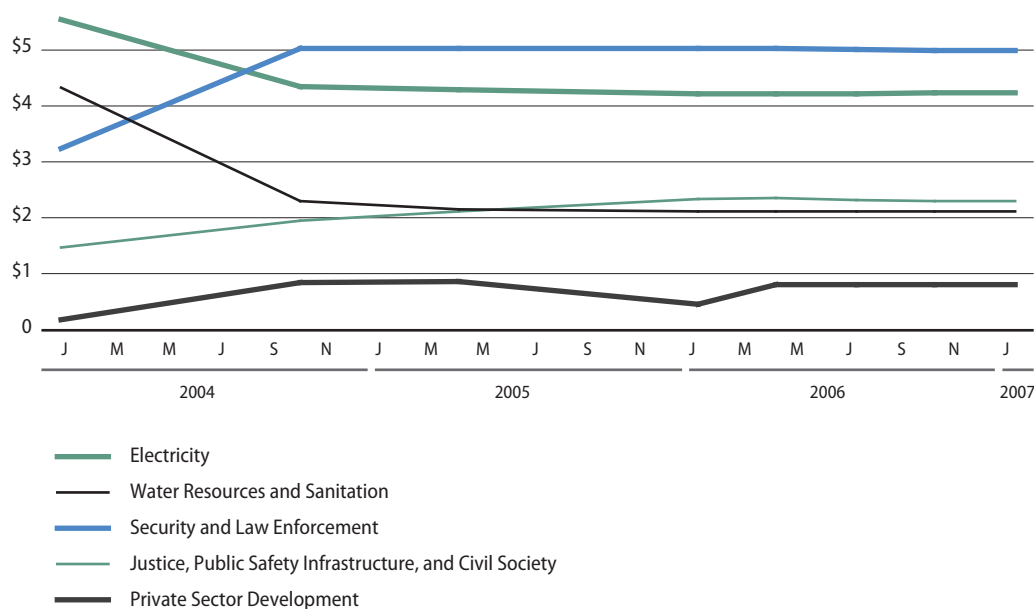
sector were cut by approximately \$1 billion; funds for the water sector were cut by \$1.9 billion (or 50% of the sector allocation). The oil sector shifted \$450 million from purchasing refined oil to enhancing oil infrastructure and improving export capacity.⁸

December 2004: A realignment of \$476 million moved money back into electricity to address near-term needs and to support the restoration of essential services in cities most directly affected by the insurgency. In response to insurgent attacks on electricity infrastructure, additional electricity security forces were trained.⁹ In the water sector, \$63 million from funds previously allocated for sewerage projects were reprogrammed to potable water projects. To support the Consolidated Fiber Network (CFN), \$70 million was reprogrammed into the communications sector.¹⁰

Spring 2005: This realignment focused on sustainability and capacity development. The reconstruction focus shifted from a long-range, "design-build-turnover" project orientation to a systems orientation that emphasized "build-train-turnover." The plan sought to ensure that the U.S. government's investment would transfer effectively to the Iraqis.¹¹ During this phase, the U.S. government reallocated \$832 million within IRRF 2:

- \$225 million was allocated for job-creation activities, primarily funded through the cancellation of five long-range water projects. This funding also supported

Figure 2-4
SIGNIFICANT REALIGNMENTS OF IRRF 2 FUNDING BY SECTOR
 \$ Billions
 Source: DoS, *Section 2207 Report*
 (November 2003 - January 2007)



essential services in Baghdad, the Community Action Program (CAP), housing rehabilitation grants, and small-business micro-loans.¹²

- \$607 million was redirected to fund a more integrated management program, including O&M for the electricity and water sectors. The initiative was largely funded by canceling two non-critical energy projects scheduled for a later date, according to DoS.¹³

Fall 2005: During this reprogramming, \$253.3 million was¹⁴ moved out of electricity,

health care, transportation, and water, and into non-construction sectors, such as justice, public safety, and civil society, education, refugee assistance, and human rights.¹⁵

As of January 2006, reprogramming had resulted in more than \$5.5 billion in IRRF 2 realignments: \$3.46 billion in September 2004 and \$2.128 billion more subsequently.¹⁶

For an illustration of historical realignments among the original sectors of IRRF 2, see Figure 2-4.

CHANGING METRICS AND GOALS

Since the start of U.S. reconstruction efforts, there have been continual funding realignments, leadership changes, and varied management challenges, including project scope and contractor changes. Thus, metrics have constantly evolved. Below are a few examples of how project metrics changed during the life of IRRF 2.

When the water resources and sanitation sector lost \$1.9 billion during the first funding realignment, PCO cancelled a number of water projects that were under design and planned to start in mid-2005.¹⁷ Similarly, the significant reduction in funding in the electricity sector led to the cancellation of several major power generation projects, such as power stations and a diesel power plant.¹⁸ Then changes required adjustments in the respective sectors' goals.

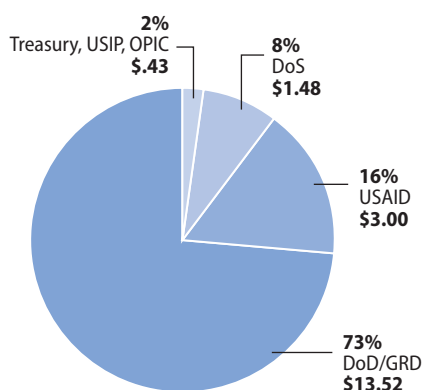
One of the goals for the security sector was to train and deploy 35,000 new police officers, increasing the number of trained officers to 85,000.¹⁹ After the sector received \$1.8 billion in reallocated funds in September 2004, a project was added to train and equip even more police officers, bringing the total number to 135,000. In addition, a project was initiated to train and equip an additional 16,000 border officers, for a total of 32,000.²⁰

In the health care sector, 150 primary healthcare centers (PHCs) were originally planned to be built, but cost increases reduced the number to 142. In April 2006, a SIGIR audit found that only 6 were completed. Today, only eight PHCs are open. In the education sector, the goal of renovating 1,200 schools was reduced to approximately 800.²¹



Security remains a major concern throughout Iraq.

Figure 2-5
IRRF 2 CURRENT ALLOCATIONS BY AGENCY
 \$ Billions, % of \$18.44 Billion
 Source: IRMO, *Weekly Status Report* (3/13/2007)



Note: Numbers may be affected by rounding.

REVISED GOALS AND ACHIEVED RESULTS BY AGENCY

As sector funding levels evolved throughout the life of IRRF 2, U.S. agencies revised metrics and expectations accordingly. Maintaining continuity of measurement has been a persistent challenge for the U.S. reconstruction program in Iraq.

For most U.S. reconstruction programs, the data was insufficient to summarize the agencies' original planned outputs and compare them to current achieved results. Moreover, agencies examining the same activity may have reported different end-state goals (for example,

USAID and DoD had different end-state goals for the electricity projects).²²

Figure 2-5 summarizes current agency allocations of IRRF 2.

DoD/GRD

DoD obligated \$8.7 billion of its IRRF 2 funds to construction projects, and approximately \$4.3 billion to non-construction activities, such as engineering, procurement, and equipment. GRD oversaw \$9 billion of the DoD construction projects. Table 2-2 shows the current

GRD CURRENT PROJECT ACHIEVEMENTS AND END GOALS, AS OF 3/27/2007 (MILLIONS)

SECTOR	SUBSECTOR	IRRF 2 FUNDING	METRIC	CURRENT RESULTS	CURRENT END STATE
Electrical	Generation		U.S. contribution MWs (added and restored)	1,420 MW	1,879 MW
	Transmission		number of 132/400 kV substations	15	41
	Distribution		number of 33/11 kV substations	56	89
Electrical Total		\$3,400			
Oil	Crude Oil		production capacity (million barrels per day)	2.6 MBPD	3 MBPD
	Natural Gas		production capacity (million standard cubic feet per day)	730 MSCFD	800 MSCFD
	Liqueified Petroleum Gas		production capacity (tons per day)	1,700 TPD	3,000 TPD
Oil Total		\$1,700			
Public Works, Water Resources, and Sanitation	Potable Water		treatment capacity added people affected	434k m3 per day 2.3 million	1,136k m3 per day 5.2 million
	Sewerage		treatment capacity added people affected	48k m3 per day 228k	m3 per day 0
	Repair Dams, Barges, Canal			1	2
	Irrigated Land			31k ha	387k ha
Water Total		\$1,700			
Facilities	Communications		post office projects	32	34
			National Communication Media Commission Building	1	1
			Mamoon Switch Building	1	1
	Security		training academy projects	3	5
			police station	1	1
			fire station projects	90	95
			border forts	114	114
			point of entry	5	5
			Advanced First Responder Network projects	3	3
	Justice		courthouse projects	29	38
			secure documents storage facility		1
			witness protection	1	5
			correctional facility projects		7
	Health		hospital renovation projects	16	26
			Basrah Children's Hospital		1
			primary healthcare centers	15	142
			Health/Sciences Academy		1
	Education and Buildings		school projects	811	809
			government building projects	6	5
	Transportation		railway station renovations	92	98
			aviation projects	14	19
			port projects	6	7
			village road projects (km)	34 (281 km)	41 (427 km)
			expressways projects (km)		3 (157 km)
			bridges	1	5
			bridge approach		1
			PRDC projects	18	56
		expressway (km)		1 (23 km)	
Facilities Total		\$2,200			
Grand Total		\$9,000			

Source: GRD-PCO, response to SIGIR, March 27, 2007; GRD-PCO, Response to SIGIR, April 20, 2007 (PHC).

TABLE 2-2

USAID IRRF 2 FINANCIAL SUMMARY (MILLIONS)

SECTOR	APPORTIONMENT
Security and Law Enforcement	\$32
Electricity Sector	821
Oil Infrastructure	0
Justice, Public Safety, and Civil Society	57
Democracy	917
Education, Refugees, Human Rights, and Governance	177
Roads, Bridges, and Construction	22
Health Care	85
Transportation and Communications	55
Water Resources and Sanitation	414
Private Sector Development	393
Administrative Expenses (USAID DoS)	29
Total	\$3,002

Source: Source: IRMO, *Weekly Status Report*, March 13, 2007, p.14.

TABLE 2-3

end-goals established and the current project results achieved by GRD, broken down by sector and subsector. This table should be used as a partial view of how the DoD/GRD funding of \$13.5 billion was spent.

USAID

The \$3.002 billion allocated to USAID is broken down by sectors, as shown in Table 2-3.²³

USAID INFRASTRUCTURE

More than \$1.2 billion has gone to USAID's Bechtel II contract, which focused on airports, buildings, emergency communications, power generation, railroads, roads and bridges, the Umm Qasr seaport, water and sanitation, and the Basrah Children's Hospital.

In June 2005, USAID performed two audits on projects under Bechtel II. The audits reviewed electricity and water sectors projects; the results are in Table 2-4. SIGIR is conducting an ongoing review of the Bechtel contract.

USAID AGRICULTURE

As part of USAID's allocation in private sector development, \$100 million of IRRF 2 funding supported the Agriculture Reconstruction and Development Program for Iraq (ARDI) project. The contract intended to "expand agricultural productivity; rehabilitate the resource base; and restore the capacity of small and medium agro-enterprises to produce, process, and market agricultural goods and services."²⁴ Of the 29 selected agriculture activities, 28 have either achieved their intended outputs or are on schedule, according to a USAID audit released on January 22, 2007.²⁵

USAID also reported these highlights of ARDI's achievements:

- distributed 169 seed cleaners
- rehabilitated 66 veterinary clinics, responsible for serving almost 5 million animals and 130,000 animal breeders
- rehabilitated 321,000 acres of irrigation systems
- reflooded 50 km² of marshlands
- repaired more than 2,000 tractors for agricultural production
- developed water and land use strategies²⁶

USAID INFRASTRUCTURE PROJECTS FUNDED BY IRRF 2 (\$ MILLIONS)

SECTOR	SUBSECTOR	IRRF 2 FUNDING (\$MIL)	RESULTS
Electrical Power	Baghdad South New Generation Phase II Equipment	\$118	Achieved
	Power Plant Maintenance Program	80	Achieved
	Mussayab Thermal Power Station	23	Descoped
	Baghdad Distribution Substations	148	Achieved
	Natural Gas Development for Power Generation	381	Cancelled
	Baiji Thermal Power Plant	2	Cancelled
Total		\$752	
Water and Sanitation	Baghdad Governorate Municipal Solid Waste Landfill	\$14	Achieved
	Irrigation and Drainage Pump Stations	10	Achieved
	Al Wadha Nos. 1, 2, and 3 Pump Stations	6	Achieved
	Rural Water Supply Project	85	Achieved
	Sadr City Water Treatment Plant	31	Achieved
	Shark Dijlah Water Treatment Plant	27	Achieved
	Zafranyah Sewage Trunk Line	21	Achieved
	Kadhamiya Sewage Collection System	3	Achieved
	Baghdad Potable Water Distribution Mains	20	Achieved
	Karbala Wastewater Treatment Plant	6	Achieved
	Karbala Water Treatment Plant	5	Achieved
	North East Sewer Trunk Line Study	2	Achieved
	Concept Designs for Rural Water Supply Project	.4	Achieved
Total		\$231	
Grand Total		\$983	

Source: Electric Power Sector: USAID, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005. Water and Sanitation: USAID, "Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities," June 29, 2005. USAID, response to SIGIR, April 21, 2007.
Note: Numbers may be affected by rounding.

TABLE 2-4

In addition, the ARDI program demonstrated a 40% average wheat yield increase over traditional methods for farmers, utilizing a cost-effective technical package on test plots in three northern governorates.²⁷ The additional seed cleaners improved more than 30,000 tons of wheat seed for planting in the 2006-2007 season, benefiting 46,000 wheat-

producing farm families. The ARDI program also planted 21 date palm mother orchards that will produce 240,000 commercially viable offshoots per year.²⁸

Finally, approximately 3,000 agribusinesses have generated at least 50% gains in income, including honey producers, mechanics, and tractor owners.²⁹

USAID LOCAL GOVERNANCE PROGRAM ACCOMPLISHMENTS

1. Conducted 22,000 democracy dialogues to educate citizens on democracy and political transitions. More than 790,000 Iraqis participated.
2. Established or rebuilt 16 governorate councils, 90 district councils, 194 city or sub-district councils, and 437 neighborhood councils.
3. Trained 2,000 council members (15% women), 28 governors, 42 deputy governors, 420 director generals, and key staff in 380 departments.
4. Supported the Women's Associations that defeated Resolution 137 (Sharia'h Law).
5. Organized elections for governors, mayors, and local councils throughout Iraq.
6. To clarify and reinforce their roles in Iraq's developing democracy, held National Agenda Dialogue Conferences that engaged stakeholders, such as academics, journalists, women, lawyers, health professionals, tribal leaders, community leaders, and civil-society organizations.
7. Awarded \$17.3 million in rapid response grants to enable local authorities to deliver services, including agriculture, education, health, electricity, sanitation, and water.
8. Trained more than 500 new provincial council members elected in January 2005.
9. Held regional constitutional conferences for Provincial Councils (PCs) about the role of local governments in the draft Constitution.
10. Assessed Provincial Reconstruction Development Committees and, with citizen participation, assisted them in identifying and prioritizing local development projects.
11. Established four Provincial Reconstruction Team (PRT) sites and mobilized staff. Work has begun to collect governance and service delivery baseline data, conduct PC core training modules, and establish a process to foster public participation.

Note: The table does not include information on the last year of the LGP project, according to USAID, April 21, 2007.
Source: USAID website, <http://www.usaid.gov/iraq/accomplishments/locgov.html>.

TABLE 2-5

DEMOCRACY, CIVIC PROGRAMS, AND LOCAL GOVERNANCE

The USAID Office of Transition Initiatives was supported by \$350 million of the IRRF 2, focusing on democracy building, human rights, civic programs, and investigations of crimes against humanity. USAID could not determine whether the intended outputs of the 4,789 grants under this contract were accomplished because of insufficient documentation. However, for the sample of 32 activities the USAID audit team visited, 31 had met the intended outputs of their respective grants. These activities included repairing roads,

providing equipment to schools, providing local employment, and providing equipment to ministries.³⁰

Another contract, valued at \$61 million, was awarded to support the development of civil society organizations in areas of civic education, women's advocacy, anticorruption, and human rights. Of the 35 activities reviewed by the audit, 17 met intended outputs, 8 did not, and 10 could not be determined.³¹

USAID's Local Governance Program II, valued at \$262 million,³² intends to "strengthen post-election, local government institutions to improve efficiency, representation, responsive-

ness, transparency, and accountability.”³³ Table 2-5 shows highlights of USAID accomplishments.

EDUCATION

A basic education program valued at approximately \$52 million was awarded in summer 2004. USAID performed an audit on the education program and reported the actual results against intended outputs. Most of the intended project outputs were achieved; however, a few fell short of the goals, and several activities

did not have adequate supporting documentation to support the reported outputs.³⁴ For a summary of project outputs and results on this contract, see Table 2-6.

ECONOMIC DEVELOPMENT

In addition to ARDI, USAID has two programs under its economic development initiatives, Economic Governance and Private Sector Development. USAID reports its funding and the accomplishments of these two programs in Table 2-7.

USAID EDUCATION PROJECTS FUNDED BY IRRF 2, AS OF 9/30/2006

INTENDED OUTPUT	REPORTED RESULT
Renovate 84 model schools	Completed 76 model schools
Provide 84 computer laboratories to model schools	Procured but not installed
Provide 84 science laboratories to model schools	Procured but not installed
Award grants to rehabilitate schools in rural areas	32 primary schools replaced; 5 primary schools in Baghdad rehabilitated
Train 10,000 English secondary school teachers	7,840 teachers trained
Train 12,000 teachers on information & computer technology training	13,516 teachers trained
One-week training for 17,000 teachers in pedagogy	17,377 teachers trained
Develop seven software modules	Achieved
Train eight Iraqi staff on the information system	Achieved
Train national and regional users on the information system	Achieved
Quality assurance of the information system	Achieved
Develop 13 preschool television shows	Achieved
Distribute 10,000 activity booklets	4,000 booklets produced and developed
Purchase and install servers	Purchased but delivery delayed
Develop training evaluation and administer pre- and post-tests	Not all had pre- and post-tests
Study tours to Egypt for Directors General	Cancelled

Source: USAID, “Follow-Up Audit of USAID/Iraq’s Education Activities,” February 4, 2007.

TABLE 2-6

USAID ECONOMIC DEVELOPMENT PROJECTS FUNDED BY IRRF 2 (MILLIONS)

PROGRAM	FUNDING	REPORTED RESULTS
Economic Governance	\$147	<p>FMIS has captured 80% of expenditures and 99% of revenues; 102 of 182 units have been equipped and trained to use the system.^a</p> <p>Assisted in securing IMF Stand-By Arrangement</p> <p>Expanded social safety net to cover 23% of Iraqis</p> <p>Strengthened capacity of ministries and CBI</p> <p>Initiated plans for banking sector reform</p> <p>Modernized Business Registry, registering more than 38,000 businesses^b</p> <p>Engaged GOI on formalizing budget processes and fiscal decentralization</p>
Private Sector Development	\$105	<p>Allowed 3,000 individuals and hundreds of firms to gain business skills</p> <p>Fostered microfinance lending in 17 of 18 governorates providing more than 17,000 loans worth more than 20 million^c</p> <p>Established WTO Unit, Investment Promotion Agency, Trade Information Center, Loan Guarantee Corporation</p> <p>Amended/drafted dozens of private sector reform laws</p>
Total	\$252	

Source: USAID website, <http://www.usaid.gov/iraq/accomplishments/econgov.html>

^a USAID, response to SIGIR, April 21, 2007; for further discussion on FMIS, see sector update in Economic and Societal Development.

^b USAID, response to SIGIR, April 21, 2007.

^c USAID, response to SIGIR, April 21, 2007.

TABLE 2-7

DoS

Of the \$1.5 billion allocated to DoS, a significant portion (approximately \$770 million) went to police training and technical assistance. The project focuses on training police officers and constructing police stations. It also covers supplying advanced communications equipment, including setting up the Advanced First Responder Network (AFRN).³⁵ SIGIR conducted a follow-up on its AFRN review this quarter and found that corrective action improving the system had been taken. For more information, see Section 3 of this Report.

DoS oversaw an \$83 million project to fund a combination of minefield and battle-area clearance operations and explosive ordnance disposal missions. Nine indigenous mine action organizations were retrained and funded.³⁶

Other projects under the Justice, Public Safety, and Civil Society sector include a \$110 million rule-of-law program on which DoS is partnering with DoD, USAID, and the Bureau of International Narcotics and Law Enforcement Affairs (INL). There is also a \$128 million project on investigations of crimes against

humanity. DoS concurrently manages a \$36 million program on witness protection.³⁷

DoS also oversees approximately \$85 million of democracy-building activities, although USAID has been tasked with most of the democracy-building projects thus far. Finally, USAID and the DoS Bureau of Population, Refugees, and Migration manage \$186 million allocated for life assistance to refugees and internally displaced persons.

Treasury, USIP, and OPIC

Treasury, the U.S. Institute of Peace (USIP), and the Overseas Private Investment Corporation (OPIC) were allocated \$427 million. When the Paris Club agreement took legal effect at the end of 2004 and the United States forgave its entire debt to Iraq (\$4.1 billion), Treasury obligated and disbursed \$352 million.³⁸

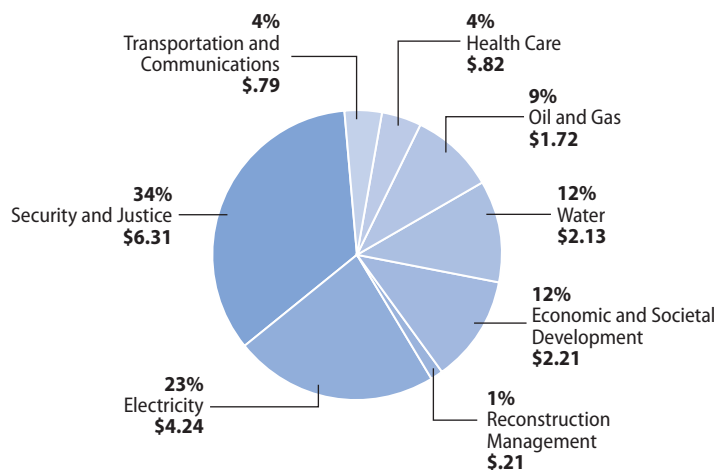
Treasury oversees almost all of the \$30 million dedicated to modernizing the banking system. The project focuses on rehabilitating the Central Bank of Iraq (CBI) and the national information technology that helps coordinate Iraq's private and public financial

institutions into a national banking system. Activities include implementing basic banking infrastructure, installing a system that is capable of accounting and accounts management functions, and building the institutional capacity of CBI.³⁹

Approximately \$40 million was provided to OPIC to establish the Iraq Middle Market Development Fund (IMMDF).⁴⁰ The IMMDF is a loan program for small businesses in agriculture and other industry sectors. As of March 4, 2007, approximately \$34 million had been disbursed (12 loans). An additional \$11.7 million was approved for 4 loans, and 10 applications are under review for \$23.7 million.⁴¹

USIP was allocated \$10 million of the IRRF 2. This amount was intended to assist in “establishing rule of law and constitutional development and promoting prevention, management, and peaceful resolution of conflicts” in Iraq’s reconstruction efforts. Activities have included training Iraqis on topics such as legislative development, rule of law, post-conflict programs, and inter-ethnic and other disputes associated with handling war crimes.⁴²

Figure 2-6
IRRF 2 CURRENT ALLOCATIONS BY SECTOR
 \$ Billions, % of \$18.44 Billion
 Source: DoS, *Iraq Weekly Status* (3/28/2007)



Note: Numbers may be affected by rounding.
 See Appendix C for P.L. 108-106 cross-reference to SIGIR-defined sectors.

CONTINUING ISSUES

IRRF 2 is currently more than 82% expended, and most large construction projects have been completed or are scheduled to finish in the near future.

Continuing issues in security, infrastructure degradation, management, capacity development, and sustainment have thwarted the

attainment of the approximate sector goals in oil and gas, electricity, and water systems, as well as health care infrastructure. For more information about reconstruction progress, see the sector updates in this Section.

Figure 2-6 shows the current sector allocations of IRRF 2.

STATUS OF THE ELECTRICITY SECTOR

The initial U.S. reconstruction goal for the electricity sector was to increase generation to 6,750 megawatts (MW)⁴³ by the summer of 2004, from a pre-war level of 4,500 MW.⁴⁴ After the establishment of IRRF 2 in November 2003, the goal shifted to 6,000 MW by June 2004. The goal has remained 6,000 MW since then.⁴⁵

The U.S. Department of Energy (DoE) reports that Iraq has a 2010 generation capacity goal of more than 18,000 MW, which will be needed to meet a peak demand of nearly 15,000 MW.⁴⁶ U.S.-funded electricity projects also include activities to boost transmission and distribution capabilities.

Despite reprogramming that reduced the sector by \$1 billion, electricity received the second-largest allocation (\$4.24 billion) of IRRF dollars (see Figure 2-7). At the end of this quarter, 75% of planned IRRF-funded

projects were complete, and 77% of the allocated dollars were expended.⁴⁷

U.S.-funded Results on Generation, Transmission, and Distribution

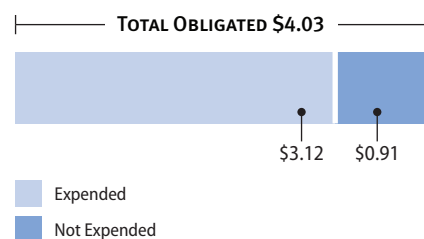
Iraq's electricity sector suffers from aging and poorly maintained infrastructure; more than 85% of Iraqi power plants are at least 20 years old. In an effort to boost capabilities, the U.S. reconstruction program funds three major types of projects in the electricity sector:

- *Generation* facilities produce power for the system.
- *Transmission* networks carry that power across the country.
- *Distribution* networks deliver the transmitted power to local areas, homes, and businesses.



Protecting the linear infrastructure in the electricity sector remains a challenge across Iraq.

Figure 2-7
STATUS OF IRRF 2 FUNDS - ELECTRICITY
\$ Billions
Source: DoS, *Iraq Weekly Status* (3/27/2007)



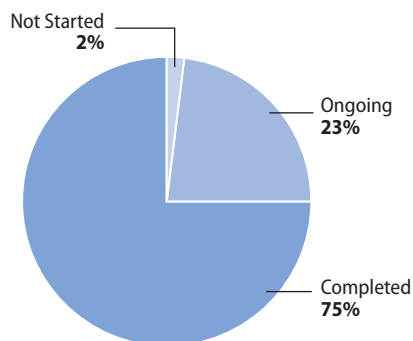
To date, 402 U.S.-funded projects have been completed. For the status of electricity projects by subsector, see Figure 2-8.⁴⁸ All remaining U.S.-funded generation projects will be finished by September 2007, except the computerized maintenance management system (CMMS), which is scheduled to be completed in April 2008.⁴⁹ However, O&M allocations by the GOI continue to limit the sustainability of U.S.-funded projects as responsibility is transferred to Iraqi operators.⁵⁰

GENERATION FACILITIES

This quarter, the average daily power generation on the grid was 3,832 MW,⁵¹ which is below reported pre-war levels (4,500 MW). Actual peak production is less than the total capacity partly because of planned and unplanned maintenance.⁵²

The outputs of U.S. electricity projects are measured by the generation capacity added to the grid in MW. U.S. projects have contributed 2120 MW⁵³ to Iraq's generation capacity. Table 2-8 and Figure 2-9 compares the pre-war levels with the U.S. goal set in November 2003 and this quarter's average.

Figure 2-8
STATUS OF IRRF 2 PROJECTS - ELECTRICITY
Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Distribution	7	88	330	425
Transmission	2	30	24	56
Generation	2	1	48	51
Automatic Monitoring and Control System		5		5
Total	11	124	402	537

CURRENT ELECTRICITY GENERATION CAPACITY VS. PRE-WAR LEVEL (MEGAWATTS)

OUTPUT METRIC	PRE-WAR LEVEL, AS OF MARCH 2003	U.S. GOAL	QUARTER AVERAGE
Generation Capacity	4,500	6,000	3,832

Source: Pre-war level: UN/World Bank *Joint Iraq Needs Assessment*, 2003, p. 28.

Note: GAO recently reported the pre-war level as 4,300 MW (GAO Report 06-697T, April 25, 2006, p. 19).

Goal: GRD response to SIGIR, March 27, 2007.

Current Status: IRMO, *Weekly Status Reports*, March 27, 2007.

TABLE 2-8

Figure 2-9

CURRENT ELECTRICITY GENERATION CAPACITY VS. PRE-WAR LEVEL

Megawatts (MW)

Source: U.S. Iraqi Goal: GRD, Response to SIGIR (3/27/2007)

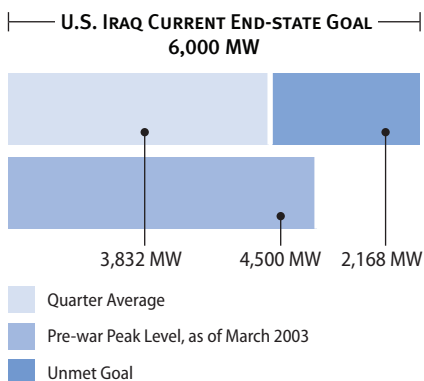
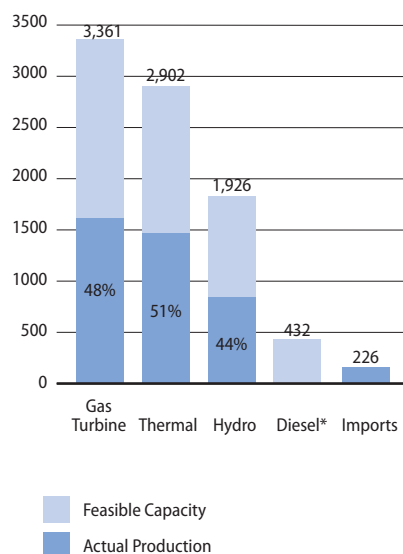


Figure 2-10

ACTUAL PRODUCTION VS. FEASIBLE ELECTRICITY CAPACITY

Megawatts (MW)

Source: IRMO, *Daily Electricity Report* (1/1/2007 - 3/31/2007)



*Diesel power produced less than 1% of the total feasible production.

Demand for electricity continues to outpace generation capacity, and operations at power plants continue to lack sufficient quantities of refined fuel to run generators at peak capacity. This quarter, insufficient supplies of fuel and water to generation facilities led to a loss of nearly 1,500 MW in production per day. As new generation projects come online, the issue of fuel and water supply grows more critical.⁵⁴

As Figure 2-10 demonstrates, 52% of feasible capacity at gas turbine facilities that pro-

duce electricity goes unmet. Gas turbine plants lose approximately 1,800 MW of production per day because heavy fuel oil is used instead of natural gas.

TRANSMISSION NETWORKS

Twenty-four IRRF-funded transmission projects have been completed to date, 30 are in progress, and 2 have not started.⁵⁵ Sabotage of feeder lines continues to limit the impact of U.S.-funded projects by reducing the hours

CURRENT OUTCOMES VS. PRE-WAR LEVELS AND GOALS

OUTCOME METRIC	PRE-WAR LEVEL	IRAQ GOAL FOR JULY 2006	DAILY AVERAGE, LAST WEEK OF MARCH 2007
Iraq Hours of Power/Day	4-8	12	14
Baghdad Hours of Power/Day	16-24	12	6.5

Sources: Pre-war level: DoS Briefing by U.S. Embassy Baghdad, November 30, 2005; Goals: Joint U.S.-Iraqi Electricity Action Plan, March 12, 2006, p. 2.; Current Status: IRMO Weekly Status Reports, January - March 27, 2007.

TABLE 2-9

of power that Iraqis receive in their homes and businesses.⁵⁶ As a consequence, Baghdad continues to struggle with little government-produced power.

Transmission construction on overhead lines and substations continues at a sporadic pace, as 132 kV substations were started in Samarra, Salah al-Din, South Sulaymaniyah, Babil, Fallujah, Dahuk, and Nassriya. Planned substation work at Farbi and Jamila in Baghdad, East Diwaniya, Basrah, Ramadi, Dahuk, Hilla South, and Thi Qar did not start because of contractor and security issues.⁵⁷

DISTRIBUTION NETWORKS

Distribution projects are crucial to bringing generated power into Iraqi homes. This quarter, the remaining 88 of 425 programmed projects are in progress.⁵⁸

Distributing power from generation facilities to Iraqi homes remains a major challenge. Specifically, Baghdad continues to receive fewer hours of power than the rest of the country (averaging around 6.5 for the last week of March) because of attacks on power lines that feed the capital and the inability to transfer power to the capital from large plants in northern and southern Iraq.

This quarter's hours of power show a slight decrease from the same period in 2006, when Baghdad received 8 hours of power for the

spring quarter. Baghdad has never had enough power plants to meet its own needs without importing power from other regions, and building new power plants is part of the GOI's long-term generation plan.

Outside Baghdad, the measure of hours of power (average of 14 hours per day for the last week of March) is greater than before the U.S.-led invasion and roughly the same as it was during this quarter last year.⁵⁹ Daily electricity demand in Baghdad averaged approximately 1,800 MW this quarter.⁶⁰ For the hours of power available to Iraqis compared to pre-war levels, see Table 2-9.

Demand for electricity continues to surpass Iraq's peak generation—8,533 MW demanded on average this quarter, compared to a peak generation output average of 3,832 MW.⁶¹ See Figure 2-11.

Figure 2-12 shows the average daily load served this quarter compared to the established goal of 110,000 megawatt hours (MWh). GRD notes that average daily load served is a better measure of how much power is produced for the national grid because it measures generation over a period of time rather than the peak produced during the day.⁶² During this quarter, the daily load served averaged 78,048 MWh, compared to 90,614 MWh last quarter and 88,455 MWh a year ago at this time.⁶³ The pre-war level was 98,000 MWh.

Figure 2-11
ELECTRICITY DEMAND VS. AVAILABLE CAPACITY
Monthly Average Megawatts (MW)
Source: IRMO, *Weekly Status Reports* (12/14/2005 - 3/27/2007)

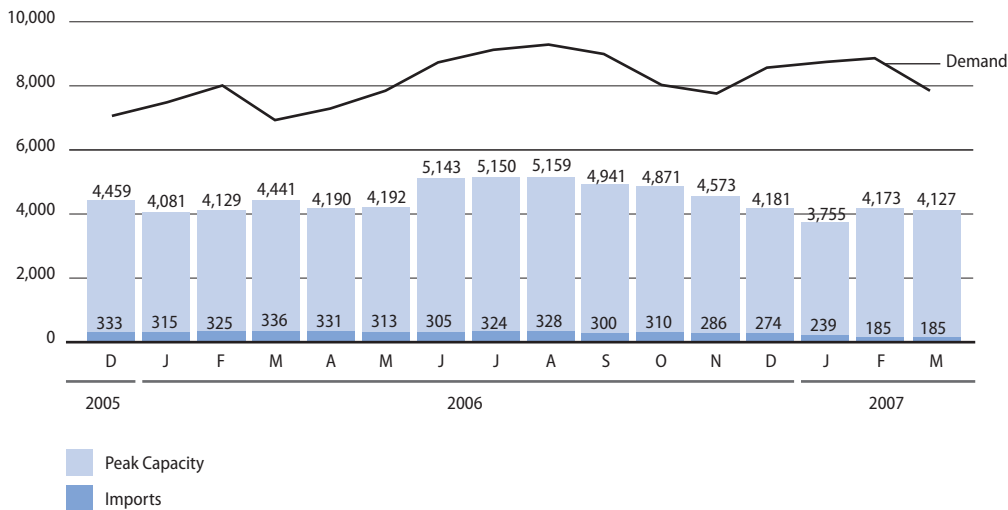
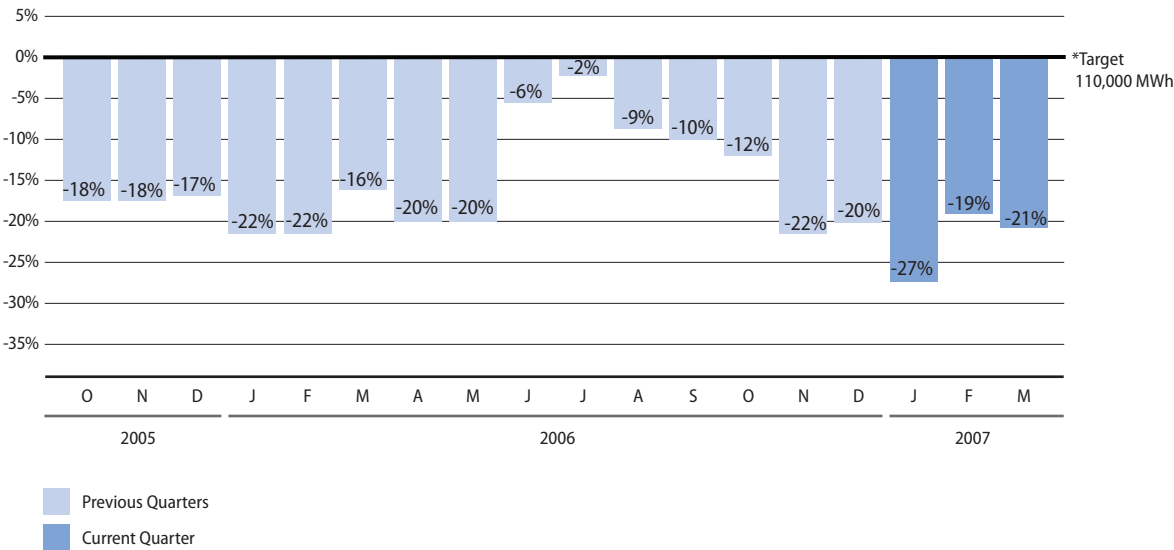


Figure 2-12
ELECTRICITY LOAD SERVED
Monthly Average Electricity Load Served, Megawatt Hours (MWh)
Source: IRMO, *Weekly Status Reports* (9/28/2005 - 3/27/2007)



* Target is a constant based on a goal set in summer 2005.

AUTOMATED MONITORING AND CONTROL

Five U.S. projects are underway to provide an automated monitoring and control system, the Supervisory Control and Data Acquisition system (SCADA). SCADA will help maximize the availability of electricity across Iraq, especially in Baghdad. GRD noted last quarter that SCADA should help with the power system's stability. SCADA will contribute to both equal-

izing and stabilizing power in Iraq, although IRMO notes that equalization and system stability can only be achieved when generation capacity exceeds demand.⁶⁵

IRMO also notes that many power plants will be taken offline for planned maintenance during this quarter and the next. In addition, IRMO expects that maintenance will be an issue at many of these power plants because of improper fuels being used in operation.⁶⁶

STATUS OF THE OIL AND GAS SECTOR

Iraq relies on oil and gas production and export to generate the funds necessary “to achieve the politically vital goal of ensuring the stable provision and expansion of basic services.”⁶⁴ About 95% of Iraq's national income is derived from oil exports. Figure 13 shows the critical oil and gas infrastructure across Iraq, including the country's 4,350-mile pipeline system.

Oil Production, Exports, and Refining

GRD estimates that oil production capacity reached 2.6 million BPD this quarter.⁶⁷ The actual level of production and exports dipped slightly, primarily because of a temporary shutdown caused by work at the Al Basrah Oil Terminal (ABOT) in January 2007.⁶⁸ Table 2-10 presents reconstruction project metrics against pre-war levels and U.S. and Iraqi end-state goals. As Table 2-10 reveals, Iraq continues to miss oil and gas production and export targets.

Figure 2-13
GAS AND OIL INFRASTRUCTURE BY GOVERNORATE
 Source: CIA Country Profile Map



CURRENT OIL AND GAS PROJECT BENEFITS VS. PRE-WAR LEVEL AND GOAL

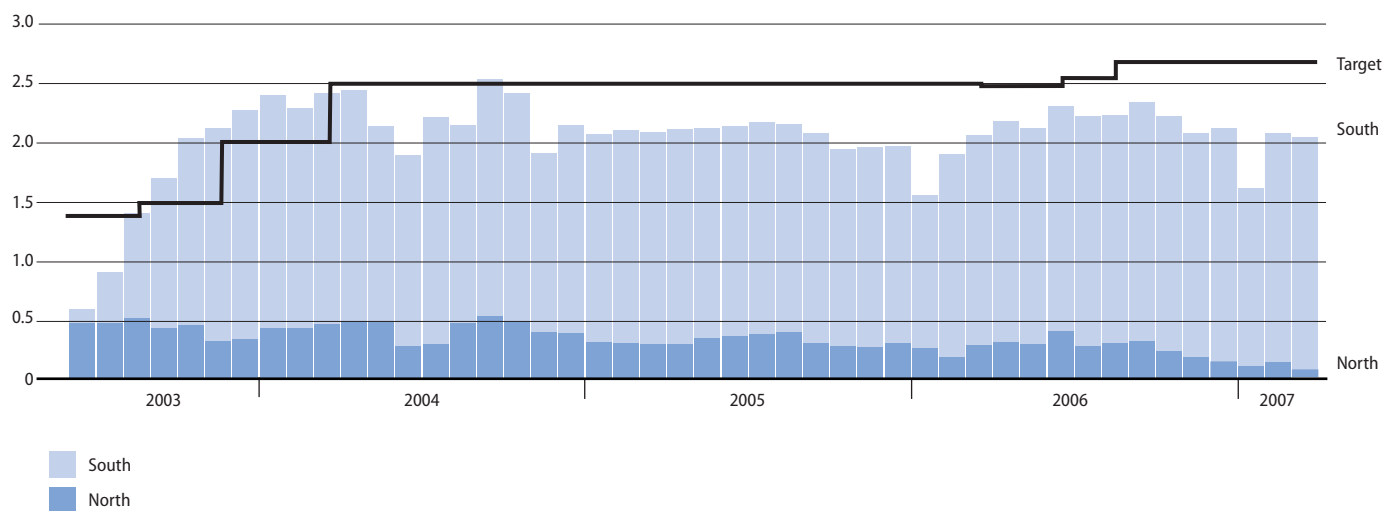
OUTCOMES METRICS	PRE-WAR LEVEL (2003)	QUARTER AVERAGE	U.S. GOALS	IRAQI GOALS
Oil Production Capacity (million BPD)	2.80	2.6*	3.0	2.8
Oil Production (actual) (million BPD)	2.58	1.95	Not Available	2.8
Export Levels (million BPD)	Not Available	1.44	2.2 (capacity)	1.7
Natural Gas Production Capacity	Not Available	760*	800	Not Available
LPG Production Capacity	Not Available	1,900*	3,000	Not Available

*Data for these figures is taken from a GRD response to SIGIR, April 6, 2007, p.9.

Sources: Pre-war numbers—DoE Country Analysis Brief, meeting with DoE officials on May 31, 2006. Quarter Average—IRMO Monthly Import, Export, and Production Report, April 12, 2007; GRD, response to SIGIR, April 6, 2007, p. 1. (Natural Gas Production Capacity and LPG Production Capacity) "Sector Consolidated Results Update Meeting," September 10, 2006, p. 3 (natural gas production capacity and LPG production capacity). U.S. end-state goals—GRD-PCO, "Iraq Reconstruction Report," October 5, 2006, p. 3 (production capacity); DoS, response to SIGIR, July 24, 2006 (export capacity); Iraqi goals—meetings and discussions with DoS officials for April 2006 Quarterly Report; DoS, DoS response to SIGIR, April 19, 2007 (Iraqi export target).

TABLE 2-10

Figure 2-14
CRUDE OIL PRODUCTION BY REGION
 Millions of Barrels per Day, Monthly Average
 Source: IRMO, *Monthly Import, Production, and Export* (March 2007)



PRODUCTION

This quarter, crude oil production averaged 1.95 million BPD,⁶⁹ a drop from last quarter's output of 2.17 million BDP but an increase over output from the spring 2006 quarter, which was 1.84 million BPD. As Figure 2-14 reveals, Iraq has missed its quarterly production target every quarter since 2004.

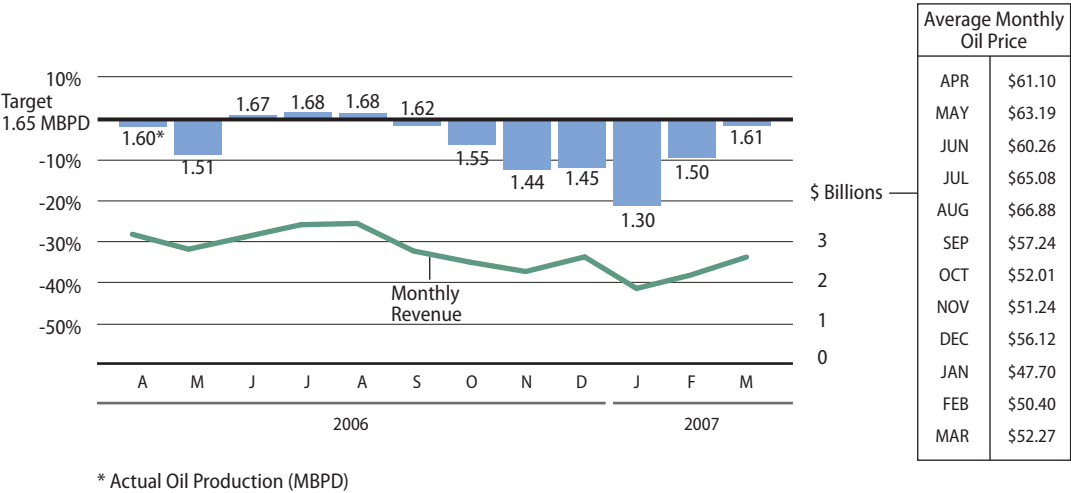
EXPORTS

This quarter, exports averaged 1.44 million BPD, an increase from 2006 when exports for the spring quarter were 1.30 million BPD and 2005 when exports were 1.40 million BPD.⁷⁰ See Figure 2-15. U.S. reconstruction oil experts attribute the oil and gas sector's improved export performance to the refurbishment of gas-oil separation plants (GOSPs), intermittent operations of the Iraq-Turkey Pipeline (ITP), and rehabilitation work on the loading arms at the southern offshore loading berths ABOT.⁷¹

The ITP links the Kirkuk oil fields with the Turkish port city of Ceyhan and is the major export route for crude oil from the northern production fields. Only 2% of oil exports went through Ceyhan this quarter, and IRMO has not reported any exports through the ITP since January because attacks have shut down the pipeline.⁷² In southern Iraq, another major network of pipeline routes links the Rumaila oil production fields with ABOT.

Iraq relies heavily on ABOT as an export node, particularly when the northern pipeline system is down. This quarter, SIGIR Inspections reported on ABOT (PA-06-080), finding that refurbishment and repair work on the loading arms met the original objectives; however, because the entire Iraqi oil sector infrastructure is in need of improvement, successful work at ABOT will not appreciably increase export rates. SIGIR noted last quarter that meters were installed at ABOT. The process of

Figure 2-15
MONTHLY CRUDE OIL EXPORT AND REVENUE RAISED
Millions of Barrels per Day (MBPDs), \$ Billions
Sources: DoS, *Iraq Weekly Status* (4/5/2006 - 3/28/2007), IMF SBA (Iraqi Target)



installing the meters led to a brief shutdown of the platform and contributed to lower crude oil output in January.

REFINING

Iraq transports crude oil produced in the northern fields near Kirkuk to Baiji for refining. The Baiji-Kirkuk Pipeline is the major route by which crude oil reaches the refineries. This network of four major pipelines is frequently attacked.

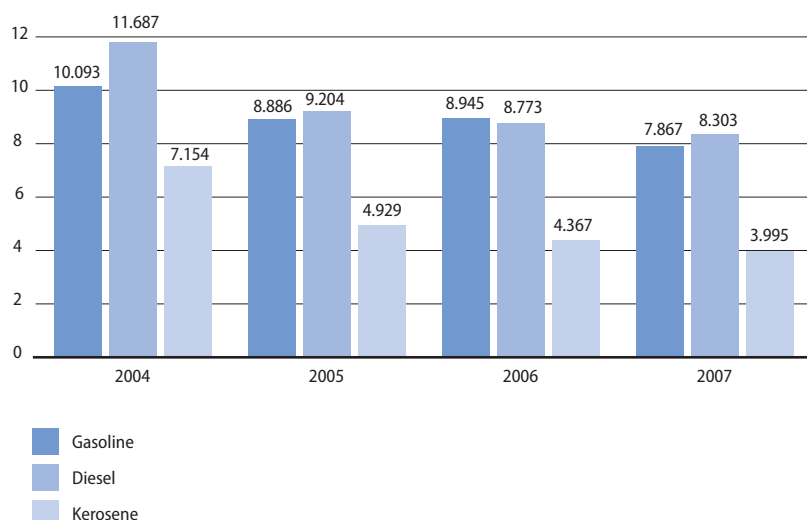
In 2006, Iraq’s refineries did not provide enough domestic capacity to supply the population with refined fuels for heating homes, fueling automobiles, and powering factories. Iraq’s inability to meet domestic demand forced the GOI to import kerosene, gasoline, diesel, and liquefied petroleum gas (LPG). Figure 2-16 shows the status of Iraq’s refined fuel production compared to performance over the last three years.

According to IRMO, Iraq stopped importing refined fuels on December 31, 2006, and plans to depend on refineries and private importers during 2007 with limited government importing.⁷³

According to the IMF, domestic fuel prices will continue to increase in 2007. This quarter, NEA-I reported that two increases in fuel prices were implemented in January and March.⁷⁴ This increase follows the fuel liberalization policy enacted in 2006, which supports the elimination of fuel subsidies for gasoline and other refined fuel products.⁷⁵ The IMF also notes that an implicit budget subsidy will remain on domestically produced fuel products, like gas and diesel.⁷⁶

While most of Iraq’s refined product moves by pipeline from refineries and Khor al-Zubair to depots, Iraq also depends on Turkey for refined fuel imports, a relationship that is complicated by Iraq’s unpaid debt to Turkey for

Figure 2-16
SPRING FUEL REFINERY PRODUCTION 2004 - 2007
 Millions of Liters
 Source: IRMO, *Monthly Import, Export, and Production* (April 2007)



Note: For quarter ending March 31, 2007.

refined fuel imports. Beyond *procuring* refined fuel, Iraq also struggles with transporting and storing refined products once they enter the Iraqi market. *Transporting* the fuel becomes cumbersome if pipelines are interdicted, particularly because the product is then moved by truck across insecure parts of the country. *Storing* refined fuels is also a concern for Iraq. IRMO reports that security issues at particular depots and refineries can lead to shipment disruptions, turning typically sufficient storage into a problem. Last quarter, SIGIR also reported that Iraq lacked sufficient storage capacity at the Baiji refinery.⁷⁷

Hydrocarbon Law

The first in a series of hydrocarbon laws will soon be considered by the Council of Representatives (CoR).⁷⁸ The legislation comprises a

series of four separate laws: a framework law, a revenue-sharing law, creation of a national oil company, and a law that outlines a regulatory role for the Ministry of Oil.⁷⁹ As authorities debate these “contentious issues,”⁸⁰ most international oil companies are awaiting the outcome of the debate before moving ahead with investment deals.

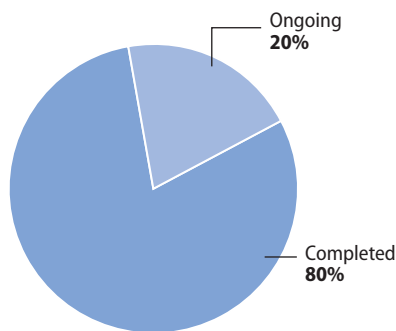
Sector Development Results

Although U.S.-funded projects have helped increase crude oil production capacity and exports, a number of issues continue to significantly challenge sustained development in this sector, including the deteriorating security situation, inadequate maintenance of antiquated infrastructure, continued corruption, and a cumbersome budget and procurement execution process at the Ministry of Oil.

Figure 2-18

STATUS OF IRRF 2 PROJECTS - OIL AND GAS

Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Southern Region Projects		5	15	20
Water Injection Pump Stations			13	13
Northern Region Projects		1	10	11
Dedicated Power		1	7	8
LPG/LNG Plant Refurbishment		5		5
General Projects			2	2
Restore Gas Oil Separation Plants			1	1
Total	0	12	48	60

As of March 27, 2007, \$1.58 billion of the sector's original allocation of the IRRF 2 (\$1.72 billion) had been obligated, and \$1.37 billion had been expended (80%).⁸¹ Figure 2-17 shows the status of sector funds.

U.S. reconstruction officials estimate that all U.S. construction projects in this sector will be completed by May 2007.⁸² For a summary of U.S.-funded construction projects to date, see Figure 2-18.



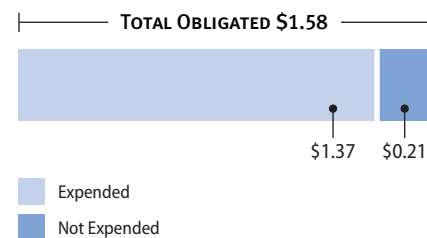
Loading arms at Al Basrah Oil Terminal.

Figure 2-17

STATUS OF IRRF 2 FUNDS - OIL AND GAS

\$ Billions

Source: DoS, *Iraq Weekly Status* (3/27/2007)



STATUS OF THE WATER SECTOR

According to the International Red Cross, “both the quantity and quality of drinking water in Iraq remain insufficient despite limited improvement...water is often contaminated, owing to the poor repair of sewage and water-supply networks and the discharge of untreated sewage into rivers, which are the main source of drinking water.”⁸³ U.S.-funded projects aim to help the GOI address the challenges in this sector.

It is difficult to measure the direct impact of U.S.-funded projects. As a way to measure the impact of U.S. reconstruction efforts in the water sector, IRMO developed a set of metrics and standard methodologies.⁸⁴ SIGIR reports on two primary IRMO metrics for the water sector:

- maximum additional system capacity
- additional people served at standard level of service, considering actual system conditions⁸⁵

GRD reports that U.S. contracts are increasingly awarded to Iraqi firms. Currently, GRD oversees about 150 water sector reconstruction projects,⁸⁶ and “over 90% of the water contracts are directly with Iraqi firms.”⁸⁷ GRD reports that, in general, Iraqi firms have showed the ability to stay within budget but have struggled to meet completion dates. In general, delays are caused by three factors:⁸⁸

- “overly optimistic” U.S.-established completion dates
- the “complex environment,” where work is being performed

- the lack of an “institutional framework” for bureaucratic paperwork, such as approving permits

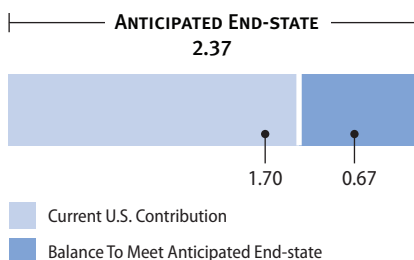
Last quarter, IRMO noted that the GOI’s insufficient budget for the water sector is a major concern for sustainment of U.S.-funded projects.⁸⁹

Potable Water

U.S.-funded projects continue to add potential capacity to the potable water system. The **Nassriya Water Supply Project** (\$262 million), which is currently scheduled to be completed this month,⁹⁰ and **Sharq Dijla Water Treatment Plant** (\$22.9 million), completed in 2006, have the potential to supply more than 1 million people with potable water.

The **Nassriya Water Plant**, the largest U.S.-funded water treatment plant in Iraq, has the capacity to supply 240,000 cubic meters of water per day. DoS reports that “about 100

Figure 2-19
OUTPUT OF U.S. POTABLE WATER PROJECTS
Million Cubic Meters per Day
Source: GRD, Response to SIGIR (4/6/2007)



personnel are required”⁹¹ for its operation and until enough Iraqis are trained, the facility will not be operated or turned over to the Ministry of Municipalities and Public Works. The Sharq Dijla Water Treatment Plant has the capacity to potentially supply 196,000 cubic meters of water per day.

Another U.S.-funded program that is adding potable water capacity to the Iraq system is the **Small Potable Water Program** (\$116 million), a series of small water projects. This program focuses on contracting directly with Iraq firms, currently employing approximately 3,400 Iraqis, and potentially serving as many as 3.2 million people with potable water. The outputs of these IRRF-funded projects appear in Figure 2-19, which shows the current and anticipated capacity provided by completed water projects.

U.S. projects have provided capacity to supply potable water access to an estimated 5.6 million people—an increase from last quarter’s 5.4 million and more than half the anticipated end-state of 8.4 million people. The United States has now completed 88% of planned potable water projects.

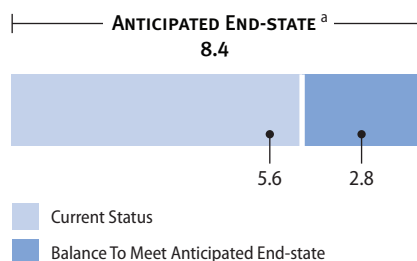
For a summary, see Figure 2-20.

Sanitary Sewage

IRMO uses the same set of metrics to measure the impact of U.S. efforts in the sanitation sector as it does for potable water. Although measuring how much additional sewage is actually treated remains difficult,⁹² U.S.-funded projects continue to add potential capacity to the sanitary sewage system.

The **Basrah Sewage Project**, completed in October 2006, added four new pumping stations to the Iraqi sewage system, in addition to constructing and rehabilitating sewage collection networks. The **Fallujah Wastewater System** (\$50.8 million) plans to install a wastewater treatment plant and collection system with the potential to benefit 228,000 people in Fallujah City.⁹³ According to the DoS *Section 2207 Report*, “worsening security conditions” continue to impact progress at this site.⁹⁴

Figure 2-20
PEOPLE SERVED BY U.S. POTABLE WATER PROJECTS
\$ Millions
Source: GRD, Response to SIGIR (4/6/2007)



^a The estimated end-state is based on the estimated date for completing all water projects.

Figure 2-21
OUTPUT OF U.S. SANITARY SEWAGE PROJECTS
 Million Cubic Meters per Day
 Source: IRMO, Response to SIGIR (4/6/2007)

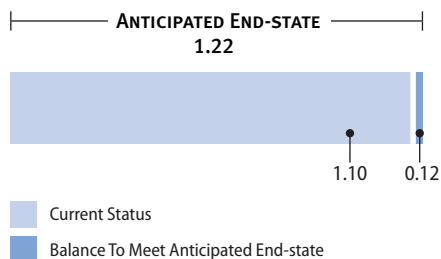


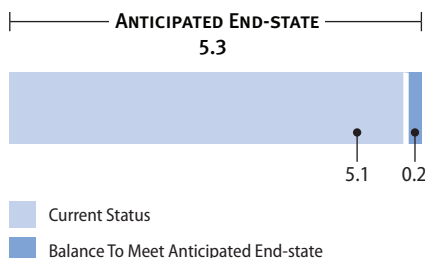
Figure 2-21 shows the current and anticipated status of additional sanitary sewage capacity that U.S. projects have contributed to the system.

U.S. projects have provided additional capacity to serve an estimated 5.1 million people with sanitary sewage systems. The United States has now completed 82% of planned sanitary sewage projects, see Figure 2-22.

Irrigation

After spending \$81.9 million on the **Nass-riya Drainage Pump Station** project, which included construction of the Industrial Services Water Building, GRD recently stopped work on the project because budgeted funds were not available to meet the estimated \$147.7 million cost to complete. The United States has made an agreement with the GOI to complete the project via a grant arrangement, and the new estimated completion date is December 2007.

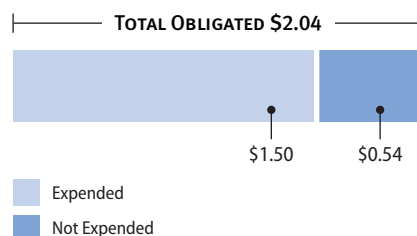
Figure 2-22
PEOPLE SERVED BY U.S. SANITARY SEWAGE PROJECTS
 Millions
 Source: GRD, Response to SIGIR (4/6/2007)





Water treatment remains an important component of the U.S.-funded Iraq reconstruction program.

Figure 2-23
STATUS OF IRRF 2 FUNDS - WATER
\$ Billions
Source: DoS, *Iraq Weekly Status* (3/27/2007)

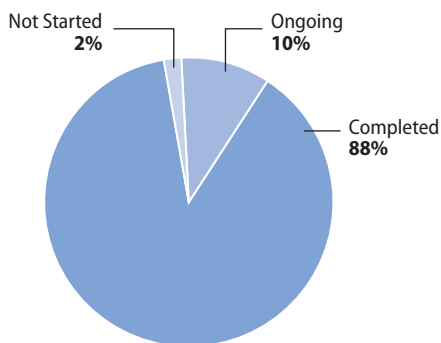


U.S.-funded Results in the Water Sector

The water sector has expended all but 26% (\$540 million) of its IRRF allocation (\$2.13 billion). As of March 27, 2007, 96% of the sector's funding had been obligated, but only 70% had been expended.⁹⁵ For the status of IRRF funds in this sector, see Figure 2-23.

As of April 2, 2007, 88% of water projects are complete,⁹⁶ and 2% have yet to start. All U.S.-funded projects in this sector are scheduled to be completed by October 2008.⁹⁷ For the status of projects in the water sector, see Figure 2-24.

Figure 2-24
STATUS OF IRRF 2 PROJECTS - WATER
Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Potable Water	13	105	883	1,001
Sewerage	6	6	55	67
Water Conservation			18	18
Pumping Stations and Generators			9	9
Other Solid Waste Management			3	3
Umm Qasr/Basrah Water Supply Project		1	1	2
Dam Repair, Rehabilitation, and New Construction		1		1
Om Al-Iraq Canal Cleaning			1	1
Construct Eastern Euphrates Drain		1		1
Total	19	114	970	1,103

STATUS OF THE ECONOMIC AND SOCIETAL DEVELOPMENT SECTOR

This sector encompasses all areas related to democracy, agriculture, education, refugees and human rights, economic and private sector development, and media.

By the end of this quarter, all of the sector's IRRF funding had been obligated, and more than 93% had been expended. As of April 2007, 7,999 projects (97%) had been completed. For the status of IRRF funding in this sector, see Figure 2-25.

For the status of IRRF projects in this sector, see Figure 2-26.

Democracy

Most IRRF funds in this subsector were expended in 2005 to support the national elections, draft the constitution, and conduct the constitutional referendum. Various funding streams reviewed later in this section—ESF and CERP—have been used to strengthen Iraq's government at the grassroots level by strengthening civil-society organizations.

The U.S. intention to double the number of Provincial Reconstruction Teams (PRTs) in Iraq is the most recent major development in this sector. The goal of the 10 new PRTs is to create "areas where moderates will have political space to operate" and where the "emphasis is on shaping the political environment rather than building infrastructure."⁹⁸

The original PRTs—small civilian-military units that assist provincial and local governments in Iraq to govern effectively and deliver essential services—focused on "facilitating the allocation, contracting and follow-up" of local

reconstruction projects.⁹⁹

The major challenges for PRTs have been security, adequately matching available staff with the required skill sets requested on the ground, and resources. According to a joint operational assessment of PRTs completed last quarter by MNF-I, MNC-I, and the National Coordination Team (NCT),¹⁰⁰ the ability of PRTs to engage with local governments is "directly related to support from the coalition force" in that governorate because of security.

Figure 2-25
STATUS OF IRRF 2 FUNDS - ECONOMIC AND SOCIETAL DEVELOPMENT
\$ Billions
Source: DoS, *Iraq Weekly Status* (3/27/2007)

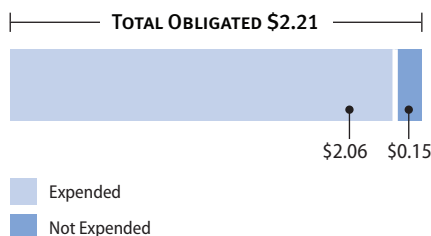
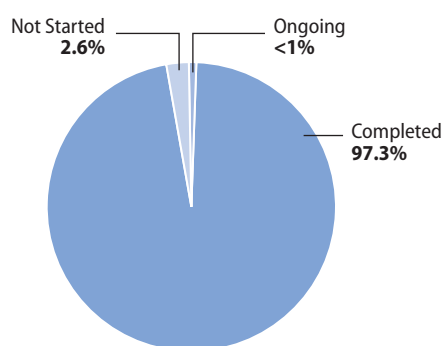


Figure 2-26

STATUS OF IRRF 2 PROJECTS - ECONOMIC AND SOCIETAL DEVELOPMENTSources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)

Note: Numbers may be affected by rounding.

Project Type	Not Started	Ongoing	Completed	Total
Democracy-building Activities	211		5,912	6,123
Schools		1	809	810
Civic Program			446	446
Education			445	445
Agriculture	1		374	375
Public Buildings Construction and Repair			8	8
Migration and Refugee Assistance	3		2	5
Vocational Training	1		3	4
Market-based Reforms	1			1
Ministerial Capacity Development	1			1
Total	218	1	7,999	8,218

OUTCOMES OF U.S. AND INTERNATIONAL DEMOCRACY PROJECTS

Last quarter, DoD reported skepticism about the **National Reconciliation and Dialogue Project**, noting that “the project has shown little progress,” while at the same time sectarian violence continues to increase.¹⁰¹ This quarter, DoD reports a shift in efforts to achieve political progress from a centralized “national compact” approach to a more localized program, “focusing more on political accommodation at the provincial level.”¹⁰²

The United States continues to encourage Iraqis to pursue actionable steps to achieve reconciliation. Since August, three of the four scheduled reconciliation conferences have taken place. Future milestones for 2007 include passing and enforcing constitutional enabling legislation and holding provincial elections throughout the country.¹⁰³ Finally, according to DoD, President Bush’s *New Way Forward in Iraq* emphasizes a “better level of compromise”

on the part of the Iraqis, especially in what the administration views as key components of reconciliation: enacting a hydrocarbon law, conducting genuine and credible local elections, reviewing the constitution, and reforming the de-Ba’athification policy.

Agriculture

More Iraqis work in agriculture than any other industry. Agriculture supports a rural population of 7 million people, provides employment to approximately 20% of the nation’s workforce, and accounts for 8% of Iraq’s GDP.¹⁰⁴ USAID has been responsible for almost all IRRF funding for the agriculture subsector through the **Agriculture Reconstruction and Development Program for Iraq (ARDI)**, which officially closed in December 2006. As of early April 2007, 374 of the 375 IRRF-funded projects in the agriculture subsector had been completed, and an additional one has yet to begin.

USAID issued an RFP for a follow-up project using ESF funding. The RFP for this new program, **Inma**, is expected to be signed in April 2007.¹⁰⁵ For more detailed information on the project, see the ESF section of this Report. The Inma award is contingent on funding that has yet to be apportioned.¹⁰⁶

In addition, the **Iraq Agriculture Extension Revitalization Project (IAER)**, awarded by the U.S. Department of Agriculture (USDA), is in the start-up phase. A conference involving Iraqi and U.S. stakeholders was held in Amman, Jordan, March 11-14, 2007. The meeting was attended by representatives of all of Iraq's universities, the Ministry of Agriculture, the Ministry of Higher Education, and the Kurdistan region.¹⁰⁷

The U.S. University Consortium, which comprises four U.S. universities, is in the process of developing a work plan to be approved by USDA. When the plan is approved, the

consortium will conduct a series of two-week trainings for extension specialists on farming, poultry production, crop production, and other topics.¹⁰⁸

Education

Funding in the education subsector was fully expended in 2006. This quarter, GRD reported that the rehabilitation of **Waddi Al Qura Elementary School** was completed on February 26, 2007. Another project, the construction of a **primary school in Mahala**, was terminated for convenience in February 2007 "due to Ministry of Education's dislike of its design and location."¹⁰⁹

The outputs in the education subsector are reviewed in Table 2-11.

Although the United States has made progress on reconstruction activities in the education sector, continuing security issues prevent many Iraqis from using the facilities.

SCHOOLS REPAIRED BY U.S. RECONSTRUCTION PROJECTS

TOTAL SCHOOLS (2003)	SCHOOLS NEEDING REPAIR (2003)	PROJECTS COMPLETED	PROJECTS IN PROGRESS	PROJECTS NOT YET STARTED
14,121	11,000	2,358-USAID IRRF 1,741-USAID IRRF 807-GRD-PCO IRRF 1,365-MNF-I	N/A-USAID IRRF 1 77-USAID IRRF 2 2-GRD-PCO IRRF 2 N/A-MNF-I	N/A-USAID IRRF 1 N/A-USAID IRRF 2 1-GRD-PCO IRRF 2 N/A-MNF-I

Sources: DoS, *Section 2207 Report*, October 2006, p. 17 (Total Schools and Schools Needing Repair, MNF-I data); GRD-PCO, response to SIGIR, January 4, 2007 (PCO projects); all other metrics unchanged since last quarter.

TABLE 2-11

Iraqi school children.



According to statistics from Iraq's Ministry of Education, only 30% of Iraq's 3.5 million students are currently attending classes.¹¹⁰

Refugees and Human Rights

U.S.-funded programs helped approximately 300,000 Iraqi refugees reintegrate into their communities between 2003 and 2006; however, the trend of repatriation has reversed since the upsurge of sectarian violence.¹¹¹ The UN High Commissioner for Refugees (UNHCR) estimates that the number of internally displaced Iraqis increased 50% during 2006—approximately 730,000 (70% women and children)—since the bombing of the Al-Askari Shrine in Samarra in February 2006.¹¹² Every day, 40,000-50,000 Iraqis flee their homes, and the UNHCR expects up to 2.3 million internally displaced persons (IDPs) by the end of 2007.¹¹³ The U.S. government also expects the current violence to generate an increasing number of IDPs.¹¹⁴

REFUGEES

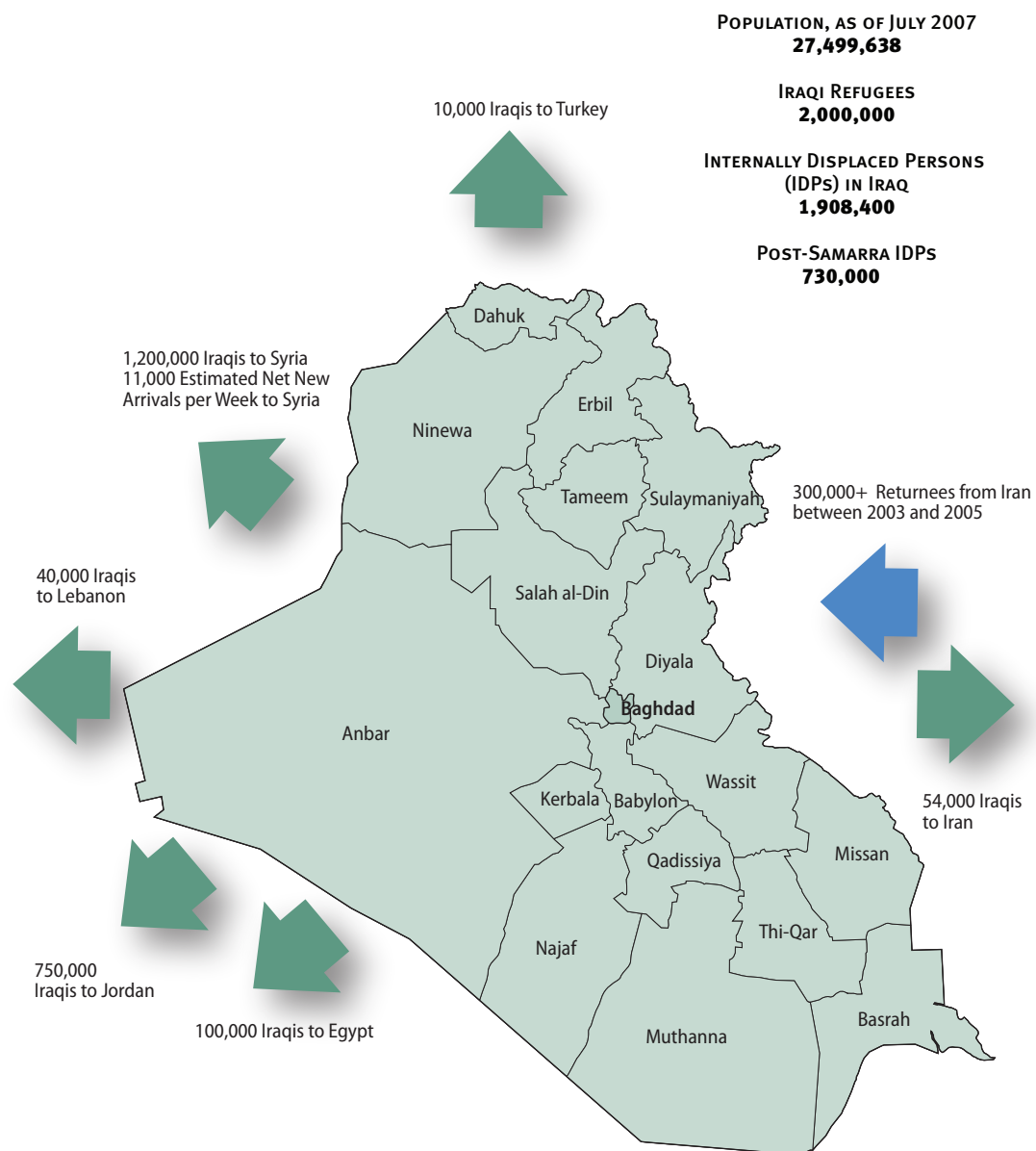
As of December 28, 2006, all allocations had been obligated, and \$147 million had been expended in this subsector. Updates to the January 2007 DoS *Section 2207 Report* are not available for this subsector.¹¹⁵ In FY 2004, \$105 million of the IRRF was allocated to life-sustaining assistance for conflict victims, including refugees and IDPs as part of the Migration and Refugee Assistance Program. In FY 2005, an additional \$54 million was allocated; in FY 2006, another \$27 million brought the total allocation to \$186 million.¹¹⁶

IRRF funds have produced a number of accomplishments in this area. For example, IRRF funds supported negotiations by the DoS Bureau of Population, Refugees, and Migration (PRM) to facilitate the voluntary return of 10,000 Kurdish-Turkish refugees to Turkey. IRRF also funded the Office of U.S. Foreign Disaster Assistance's cash-for-work programs, which generated employment in several Iraqi governorates. USAID projects provided livelihood assets to disabled people and supported

Figure 2-27

MOVEMENT OF INTERNALLY DISPLACED IRAQIS AND IRAQI REFUGEES

Sources: UNHCR, Iraq Support Unit Update (December 2006 - January 2007); CIA, 2007 World Factbook; For population statistics only: UNHCR, "Iraq Situation Map: Situation as of October 2006"; UNHCR, "Statistics on Displaced Iraqis Around the World" (April 2007)



Iraqi IDPs by Province

Northern Provinces	741,900
Central Provinces	450,000
Southern Provinces	716,500
Total	1,908,400

Returnees in Iraq, as of October 2006

2006	401
2005	55,267
2004	191,645
2003	50,524
2002	1,142
Total	298,979

the activities of local prosthetic device manufacturers. USAID concluded activities related to mobile health units for returnees and IDPs. However, it continues to build the capacity of Iraq's CSOs to advocate effectively on human rights issues and to promote citizen awareness.¹¹⁷

IRRF funds also supported the voluntary return and reintegration assistance for an estimated 150,000 newly returned Iraqi refugees, helping with health, water/sanitation, shelter, and primary education issues.¹¹⁸

Other U.S.-funded programs also benefit Iraqi refugees and IDPs:

- **The Commission for the Resolution of Real Property Disputes:** \$10 million in IRRF funds have been obligated and expended to support this organization, which was originally set up to assist Iraqi refugees returning to their homes.¹¹⁹
- **The Demining Program:** \$83 million has been allocated to contribute to post-battle operations by improving the humanitarian environment for returning populations, especially children. As part of the program, refugees and IDPs have been assisted in safe passage and integrated into the northern governorates.¹²⁰

Refugee assistance is part of the political track objective of President Bush's FY 2007 Supplemental and FY 2008 War Supplemental requests. To date, IRRF and other funding reallocations for refugees and IDPs in FY 2007 total approximately \$22 million. This number

will increase as the FY 2007 base funding is made available, following congressional passage of a one-year, FY 2007 continuing resolution to fund the government.¹²¹

On February 5, 2007, the Secretary of State announced the establishment of the Iraq Refugee and Internally Displaced Persons Task Force, which was formed to coordinate refugee and IDP assistance to the region and refugee resettlement. The United States now plans to accept up to 7,000 Iraqi refugees over the next 6-9 months and intends to afford special treatment to those Iraqis employed by, or with close association to, the U.S. government.¹²² The United States has pledged \$18 million to the UNHCR to help Iraqi refugees in the region, 30% of UNHCR's annual appeal.¹²³ These funds will help boost the UN mandate to make referrals to resettlement countries and build its resettlement operations in the region.

HUMAN RIGHTS

To promote human rights in Iraq, \$15 million of IRRF funds have been allocated. All funds have been obligated, and \$12 million has been expended. No updates to the DoS October 2006 *Section 2207 Report* are available at this time.¹²⁴

Economic and Private-sector Development

Private-sector development programs have been allocated \$393 million of the IRRF. All funding in this sector has been obligated.¹²⁵

ECONOMIC GOVERNANCE

The USAID **Economic Governance (EG) II Project** provides advisory and capacity assistance to the GOI in fiscal, tax, custom, monetary policy, commercial law, social safety net, pension, and other areas. Last quarter, USAID reported that \$113.5 million was distributed to the EG II project.¹²⁶

Since October 2006, progress has been made on projects related to EG and institutional reforms. The tax automated system, **TAGDEER**, was installed at the headquarters of the General Commission for Taxes.¹²⁷ In addition, the January 2007 DoS *Section 2207 Report* stated that USAID “assisted in operation of Pilot Social Welfare Program in Baghdad at the Ministry of Labor and Social Affairs by configuring and troubleshooting the system and providing additional training, support that is vital for a successful regional rollout.”¹²⁸

FMIS, the new web-based accounting and reporting system, is now available for 102 of the 182 budget agencies. These agencies represent approximately 80% of the GOI expenditures and 99% of revenues.¹²⁹ The remaining 82 agencies have received training on the system; however, to have access to FMIS, they are still awaiting the 2007 GOI budget for equipment and connectivity.¹³⁰ SIGIR is beginning an audit on the FMIS this quarter and will report the results in the next Quarterly Report.

U.S.-funded projects continue to support the **Central Bank of Iraq (CBI)** with monetary policy and restructuring the banking sector. Since October 2006, Treasury has

continued to connect branch banks to the Iraqi Payment System (IPS), an automated bank communications system that allows banks to electronically clear commitments. Besides Rafidain and Rahseed, up to 15 additional banks will join the system using their own communications technologies.¹³¹

PRIVATE-SECTOR DEVELOPMENT PROGRAM (IZDIHAR)

USAID reported that IRRF has distributed approximately \$96.1 to **Izdihar**, and USAID is planning a new Provincial Economic Growth project that will begin in late 2007.¹³²

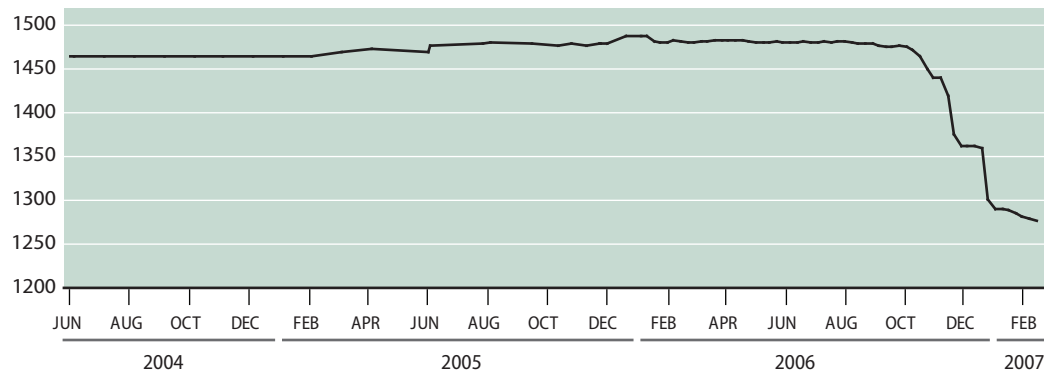
Izdihar continues to support the GOI on WTO accession. Last quarter, the program helped finalize GOI responses to questions from WTO members on Iraq’s Memorandum of Foreign Trade Regime and submitted them to the WTO Secretariat. In addition, it provided training to prepare the Iraqi delegation for its formal meeting with the WTO working party members.¹³³

The Iraq Company for Bank Guarantees (ICBG) started its operation in November 2006. It has accepted applications for loans from the northern region and southern provinces. ICBG is in the process of reviewing these loan applications.¹³⁴ In February 2007, ICBG received an additional \$5 million grant from USAID. To date, the company has approved 12 guarantees for \$187,000, and it has expanded its members to 12 private banks.¹³⁵

Figure 2-28

CURRENCY EXCHANGE RATE

Currency (Auction Selling Price Dinar/\$1 USD)

Sources: IRMO, *Weekly Status Reports* (6/28/2004 - 3/13/2007); Central Bank of Iraq

A number of training initiatives were reported last quarter. Izhdihar established five **Small Business Development Centers** in Hilla, Baghdad, Erbil, Kirkuk, and Talafar to train 100 participants in business development through an e-knowledge portal. Also, 77 private bank credit officers in Baghdad and 20 in Erbil received training on modern bank lending practices to encourage private bank lending to small and medium-sized enterprises.¹³⁶ USAID also reported this quarter that Izhdihar has provided more than 40,000 hours of training in international accounting standards.¹³⁷

Izhdihar has also implemented programs to increase lending opportunities for Iraqis. Its **Sustainable Microfinance** program continues to manage more than \$10 million in grants for operational and loan capital to three microfinance institutions (MFIs), operating in 14 governorates and supporting a cumulative total of more than 15,000 loans. The program also provided technical assistance and conducted basic training for 44 Iraqi MFI staff, advanced training for 11 staff, and training for 11 trainers.¹³⁸

IRAQ'S CURRENT ECONOMY

Despite the ongoing activities and results from those U.S.-funded projects, Iraq's overall economic environment is still fragile. Inflation and unemployment continued to plague the country this quarter.

The 2006 Stand-By Arrangement (SBA) inflation goal of 15% was not met: IMF's third and fourth SBA reviews showed that inflation was close to 65% in 2006, significantly higher than last year's 32%. Inflation in 2007 is expected to remain high at 50% if there is no improvement in security and no increase in oil production and government investment.¹³⁹ A positive first step occurred early this year, however, as year-on-year inflation in February 2007 was 37%—significantly lower than January's year-on-year rate of 66%.¹⁴⁰

To cope with this increasing inflationary pressure, the CBI began to implement policies in September 2006 designed to appreciate the dinar, as suggested by the IMF.¹⁴¹ Iraq is an import-reliant country; therefore, a more valuable currency may help alleviate some pressure. As of March 13, 2007, the exchange rate was 1,277 Iraqi dinars to the dollar,¹⁴² a 12.5%

appreciation from June 2004. For the Iraqi dinar's exchange rate during the past few years, see Figure 2-28.

The CBI has also raised its interest rate from 16% to 20%, as of December 24, 2006, to encourage people to hold dinars and lower expectations of inflation.¹⁴³ Other economic indicators in Iraq include:

- Per capita GDP is rising in Iraq—from \$951 per person in 2004 to an estimated \$1,205 in 2005 and \$1,771 in 2006.¹⁴⁴ However, when inflation is taken into account, real GDP growth is estimated to fall short of 2% in 2006—well below the SBA's 10.4% benchmark and the medians of other Middle Eastern and oil-producing countries.¹⁴⁵
- Unemployment is very high in Iraq. In its annual unemployment statistics, updated every November, the Central Office for Statistics and Information Technology (COSIT) reported that unemployment is 18% and that underemployment is approximately 38%.¹⁴⁶

Media

IRRF funding for civil society and independent media programs ended on September 30, 2006.¹⁴⁷ The objectives of the Independent Media Programs were to develop democratic media laws, promote media excellence and professionalism, support media as a commercial enterprise, and strengthen media associations and NGOs.¹⁴⁸

Journalists and news publications in Iraq continue to be the target of threats and attacks. On March 4, 2007, the editor of the al-Mashriq newspaper was killed in front of his Baghdad home,¹⁴⁹ bringing the total number of journalists killed to 100 in Iraq since the beginning of the U.S.-led invasion in 2003. During this period, 37 media support workers have also been killed.¹⁵⁰

STATUS OF THE SECURITY AND JUSTICE SECTOR

The security and justice sector received the largest allocation from IRRF 2—\$6.31 billion (34%) of the \$18.4 billion appropriated. And the sector received the largest portion of reallocations: more than \$1.8 billion was added to security-related construction and some non-reconstruction projects as the problem of security became more apparent to planners and policy makers.¹⁵¹

Although most IRRF-funded security projects have been construction-related, money was also used to arm the New Iraqi Army, train Iraqi police, provide support for war victims, and initiate witness-protection programs. The Iraqi Security Forces Fund (ISFF), established in May 2005, has provided \$10 billion to enable MNF-I to meet the increasing training

and equipment requirements of the Iraqi Security Forces (ISF).

The Coalition relies on the IRRF and ISFF to bolster Iraq's capacity to provide security and maintain the rule of law. Although IRRF funding has been almost fully obligated and expended, areas where outlays trail obligated funds appear to be important in relation to contemporary developments in the security and justice sector. Specifically, unexpended balances for construction and rehabilitation of penal and detention facilities, as well as significant portions of obligations for witness protection and Rule-of-Law programs, appear to be timely in relation to the needs arising from the Baghdad Security Plan.¹⁵²

Activities in the Security and Justice Sector

As of March 30, 2007, more than 88% of IRRF-funded projects had been completed in the security and justice sector. IRRF projects focus on constructing and refurbishing facilities. For a detailed list of projects and status, see Figure 2-29.

By the end of the quarter, more than 91% of the \$6.31 billion IRRF funds for this sector had been expended. For the status of IRRF funding, see Figure 2-30.

Although IRRF also supports training and equipping initiatives, IRRF funds are almost completely expended. These initiatives are dis-

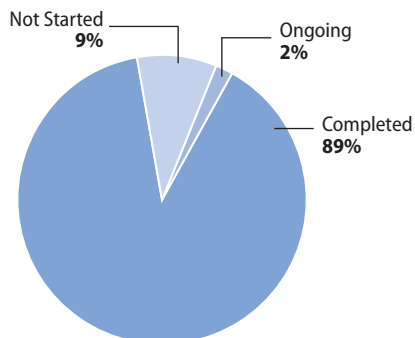


Security fence around police facility.

Figure 2-29

STATUS OF IRRF 2 PROJECTS - SECURITY AND JUSTICE

Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Marla Ruzicka Iraq War Victims Fund	170		1,104	1,274
Commanders Humanitarian Relief and Reconstruction	1		602	603
Facilities Repair	4	8	448	460
Border Enforcement	2	2	270	274
Focused Stabilization	112		62	174
Establish New Iraqi Army	2	11	81	94
Iraqi Civil Defense Corps	4	8	75	87
Police Training and Assistance	9	1	67	77
Judicial Security and Facilities		8	29	37
Investigations of Crimes Against Humanity		1	34	35
Miscellaneous		3	7	10
Reconstruction of Detention Facilities		4	1	5
Witness Protection Program		4	1	5
National Security Communications Network			3	3
Penal Facilities		2	1	3
Public Safety Training and Facilities	1	1	1	3
Facilities Protection Services			2	2
Security and Law Enforcement		1		1
Total	305	54	2,788	3,147

cussed in the ISFF section; the security and justice sector update focuses on construction projects.

CONSTRUCTION

IRRF has funded the construction and rehabilitation of border forts, fire stations, police stations, public-safety training academies, prisons and corrections facilities, courthouses, and witness-protection facilities.¹⁵³ The last IRRF-funded construction project in the sector is scheduled to be completed by April 2008.¹⁵⁴

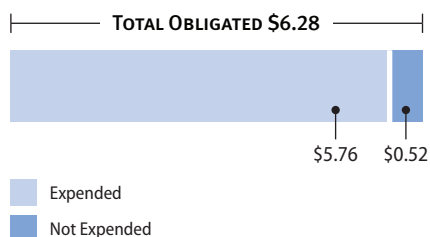
Three training academy projects have been completed, and two are in construction. The last training academy is scheduled to be completed in April 2007.¹⁵⁵ Repair work is

Figure 2-30

STATUS OF IRRF 2 FUNDS - SECURITY AND JUSTICE

\$ Billions

Source: DoS, *Iraq Weekly Status* (3/27/2007)



ongoing at the **Baghdad Police College**, and MNSTC-I accepted responsibility for completing the remaining repairs in January 2007. GRD reported that it has provided a master plumber and structural engineer to assist with the repairs.¹⁵⁶

This quarter, SIGIR Inspections identified design deficiencies at the **Iraqi Civil Defense Headquarters**. In addition, construction and equipment installation did not always comply with standards. For more details, see Section 3 of the Report.

Construction at the **Khan Bani Saad Correctional Facility**, which can house 1,800 inmates, is currently 52% complete;¹⁵⁷ the current completion date of November 2007 is being reevaluated “to account for delays stemming from different site conditions and security.”¹⁵⁸ The 800-bed **Nassriya Correctional Facility** is estimated to be completed by October 2007. It is currently 65% complete. The new construction of the **Zarka Rehabilitation Center** in Dahuk is currently 94% finished and is expected to be completed in May 2007.¹⁵⁹

The fire station projects are reported to be 96% completed to date, with 91 of the 95 projects delivered. The delivery of the last fire station has been delayed from March 2007 to October 2007 because of unanticipated road-repair work.¹⁶⁰ Finally, GRD reports this quarter that **114 border forts** have been constructed thus far, and 5 points of entry have been completed.¹⁶¹

RULE-OF-LAW INITIATIVES

Several initiatives are in progress to enforce the rule of law in Iraq and strengthen the legal code, police force, judicial system, and correctional system. This quarter, the U.S. Mission-Iraq appointed a DoJ attorney as Acting Coordinator for Rule-of-Law Programs in Iraq. MNSTC-I is strengthening the Iraqi Major Crimes Task Force and the Major Crimes Unit and training the police personnel on criminal investigations. MNSTC-I and the Ministry are also adding forensic specialists to the police forces.¹⁶²

DoJ has also been working with DoS to support the expansion and effectiveness of the Central Criminal Court of Iraq (CCCI). Since its reorganization in April 2004, the CCCI has held 1,867 trials for insurgents apprehended by the Coalition. The proceedings have resulted in the conviction of 1,607 people.¹⁶³

This quarter, GRD also reported that repairs to a police training academy were completed and that construction of **Rusafa Prison Force Protection** is also complete. Eight courthouse projects are in progress; the last project is expected to be finished in March 2008. Four witness-protection security facilities are under construction and scheduled to complete in April 2008.¹⁶⁴

INFRASTRUCTURE SECURITY

The United States has invested more than \$320 million to improve Iraq's capacity to protect its oil and electric infrastructure. U.S.-funded initiatives include training and equipping the

Strategic Infrastructure Battalions (SIBs) and partnering Coalition forces with Iraq's various energy infrastructure protection forces.¹⁶⁵ The Ministry of Defense established 17 SIBs, and U.S.-funded projects have trained and equipped 11 of them.¹⁶⁶

The Facilities Protective Service (FPS) protects standalone facilities administered by individual ministries (for example, security guards at a ministry building). Currently, approximately 150,000 FPS personnel are working for 27 ministries and 8 independent directorates, such as the Central Bank of Iraq.¹⁶⁷

DoD reported anecdotal evidence that some FPS personnel are unreliable, and some may be responsible for violent crimes and other illegal activities.¹⁶⁸ As a result, on December 27, 2006, all FPS personnel were placed under the Minister of Interior and money for salaries was transferred to the Ministry of Interior budget. Exceptions for the consolidation included Ministry of Oil, Ministry of Electricity, and the Higher Juridical Council forces.¹⁶⁹

TRANSITION TO IRAQI CONTROL

There has been progress in the Coalition's efforts to transition responsibility to the GOI. The southern governorates of Najaf, Thi-Qar, and Muthanna were transferred last year. DoD

reported this quarter that security responsibilities of three provinces—Qadisiyah, Maysan, and Ninewa—are planned to be transferred to Iraqi control by spring 2007. The remaining provinces are expected to assume provincial Iraqi control by the end of 2007, except for the transfer of Anbar, which is expected to occur in early 2008.¹⁷⁰

On December 17, 2006, the Prime Minister and the Ministerial Committee for National Security approved the transfer of security responsibility for Dahuk, Erbil, and Sulaymaniyah to the Kurdistan Regional Government (KRG). The transition will be completed after the resolution of a defense budget issue between the GOI and KRG.¹⁷¹

This quarter, DoD reported that the Iraqi Ground Forces Command (IGFC) assumed command and control responsibilities for six of the ten Iraqi Army divisions.¹⁷² However, these units still require substantial logistics and sustainment support from Coalition forces.¹⁷³

STATUS OF THE HEALTH CARE SECTOR

U.S. reconstruction in this sector has focused on building, rehabilitating, and equipping medical facilities, as well as providing immunization, training, and other health services. Originally, 150 Primary Healthcare Centers (PHCs) were planned using IRRF 2 funding; however, cost increases reduced the planned total number of PHCs to 142. On the other hand, 17 hospital projects were originally

planned for the health care sector under IRRF 2 funding, but the number was increased to 20 in December 2004.¹⁷⁴

By the end of this quarter, approximately 78% (\$640 million) of the sector's \$819 million of IRRF 2 was expended, and almost all of the sector's funding had been obligated. Figure 2-31 shows the status of sector funds.

Approximately 46% of all IRRF-funded projects in this sector have been completed, but progress on construction projects has been slowed considerably by security and management problems. By April 2007, 97 of 238 health care projects were completed. Figure 2-32 shows the status of projects in the health care sector.

Activities in this sector include constructing and refurbishing PHCs and hospitals throughout Iraq, as well as supplying those facilities with medical equipment and training medical practitioners and government officials. Past activities in this sector also included nationwide vaccination programs.

Figure 2-31
STATUS OF IRRF 2 FUNDS - HEALTH CARE
\$ Billions
Source: DoS, *Iraq Weekly Status* (3/27/2007)

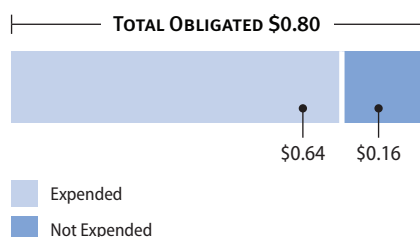
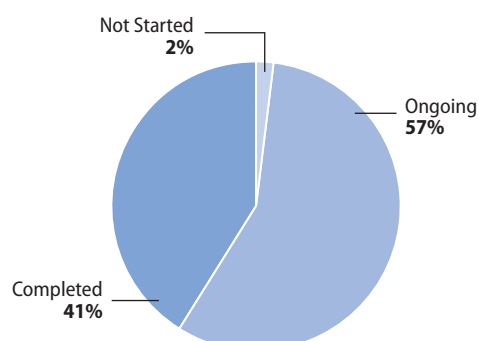


Figure 2-32
STATUS OF IRRF 2 PROJECTS - HEALTH CARE
Sources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)



Project Type	Not Started	Ongoing	Completed	Total
Primary Healthcare Centers		126	15	141
Equipment Procurement	3	1	60	64
Hospitals	1	10	19	30
Nationwide Hospital and Clinic Improvements			3	3
Total	4	137	97	238



Erbil Maternity and Pediatric Hospital.

Construction Activities

Only 15 of 142 planned model PHCs have been completed to date. Of the 15 PHCs completed to date, 8 are currently open to the public. Of the remaining PHCs, 119 PHCs are currently under construction, and 8 have stopped work for various reasons, such as security concerns and subcontractor issues.¹⁷⁵

Of the unfinished PHCs, 72 are 90-100% complete, 45 are 75-90% complete, and 2 are 35-74% complete. Four PHCs were bombed, and construction at these locations has been terminated. Overall, GRD estimates that construction of more than 70 PHCs will be completed before July 2007, and the PHC program will be finished by December 2007.¹⁷⁶

Currently, GRD oversees the refurbishment of 20 hospitals under the original design-build contract and the construction of one hospital previously managed by USAID. Of the 20 hospitals under the original design-build contract, 13 have been completed by the contractor.¹⁷⁷ GRD reported that all hospital rehabilitations

in its hospital program are currently 87% complete; completion is expected by June 2007.¹⁷⁸

This quarter, SIGIR conducted an inspection at the **Erbil Maternity and Pediatric Hospital** and identified a number of sustainment issues. For example, medical waste has been dumped into the hospital drains and sewer system, clogging the system and posing a potential health risk. For more details on this inspection, see Section 3 of the Report.

The GRD-managed **Basrah Children's Hospital** project is proceeding on its new track. The overall project is 45% complete, as of March 30, 2007; the GRD-managed construction is 21% complete.¹⁷⁹ In addition to the construction activities on this project, GRD also manages a \$1.5 million contract for architect/engineer services contract and an \$8.7 million contract for medical equipment integration service. Project HOPE provides \$30 million in training and high-value medical equipment. Construction is scheduled to be complete in July 2008, and medical equipment integration

is scheduled for completion in November 2008, followed by a phased opening starting in early 2009.¹⁸⁰

Table 2-12 summarizes the status of health care facilities funded by IRRF 1 and IRRF 2.

Non-construction Activities

U.S.-funded projects have allocated \$214 million to procuring health care equipment and training health care providers. As of March 30, 2007, \$180 million had been expended in this subsector.¹⁸¹ DoS reported that medical equipment, consumables, and furniture were delivered and installed at the seven PHCs that

completed construction. Similarly, in the 12 hospitals in which rehabilitation is complete, \$23.7 million of medical equipment was delivered and installed.¹⁸²

USAID's Health Training Program closed out on December 31, 2006. The program trained 2,839 health care providers on managing childhood illness, enhancing interpersonal communications and counseling skills, and preventing infection. Additionally, more than 4,664 Iraqi citizens participated in courses. Thus, 17 of the 18 governorates have at least two individuals who have received the basic training of the program's curriculum.¹⁸³

IRRF-FUNDED HEALTH CARE FACILITY CONSTRUCTION: CURRENT & PLANNED

HEALTH CARE FACILITIES	CURRENT STATE, AS OF 3/30/2007	IRRF PLANNED END-STATE
Hospitals Rehabilitated	13	20
Hospitals Built	In progress	1
Primary Healthcare Centers Rehabilitated	147	147
Primary Healthcare Centers Equipped	600	600
Small Primary Healthcare Centers Built and Equipped	6	6
Model Primary Healthcare Centers Completed to Operational Stage	15	142

Sources: GRD-PCO, response to SIGIR, April 20, 2007 (Hospitals and Model PHCs); DoS *Section 2207 Report*, Tab 5 (Selected Metrics), January 2007 (all other data).

TABLE 2-12

STATUS OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR

Projects in this sector aim to improve transportation systems in Iraq, such as ports, railways, roads, bridges, and airports. This sector also includes U.S.-funded telecommunications projects.¹⁸⁴

As of March 27, 2007, 70% (or \$560 million) of the approximately \$800 million in IRRF funds allocated to this sector had been expended. Almost all of the sector's IRRF funding had been obligated. Figure 2-33 shows the status of sector funds.

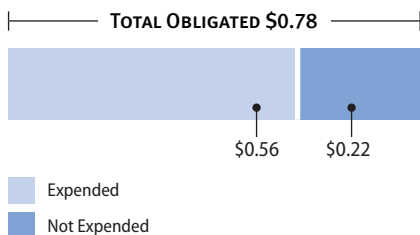
IRRF 2-funded construction in this sector is expected to be completed by December 2008.¹⁸⁵ Sector projects are currently more than 88% complete. For the status of projects in this sector, see Figure 2-34.

Shipping Projects

The number of vessels berthed at the **Umm Qasr Port** averaged 18.5 per week this quarter; however, IRMO reported only two data points throughout the quarter.¹⁸⁶

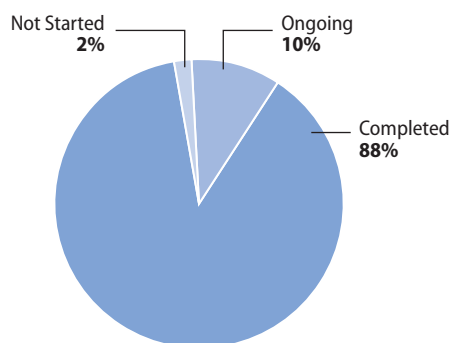
GRD has completed six of seven projects, and the overall program is nearly 99% complete.¹⁸⁷ As of March 30, 2007, 85% and 90% of the refurbishment work on the Nelcon cranes and spreader had been delivered, respectively. In addition, in February 2007, repair of power lines to the Nelcon cranes at Umm Qasr was completed. Although last quarter SIGIR reported that the shipping program is expected to be finished by February 2007, the last port project is now expected to complete in May 2007 because of delays getting design approval by the Port Authority for a berth construction project. This project is currently 89% complete.¹⁸⁸

Figure 2-33
STATUS OF IRRF 2 FUNDS - TRANSPORTATION AND COMMUNICATIONS
\$ Billions
Source: DoS, *Iraq Weekly Status* (3/27/2007)



Shipping is an important part of the revival of Iraq's economy.

Figure 2-34

STATUS OF IRRF 2 PROJECTS - TRANSPORTATION AND COMMUNICATIONSSources: IRMS, *IRMO Rollup* (3/30/2007); USAID, *Activities Report* (4/10/2007)

Project Type	Not Started	Ongoing	Completed	Total
Roads and Bridges	9	39	237	285
Railroad Rehabilitation & Restoration		2	96	98
Consolidated Fiber Network			95	95
Telecommunications Business Modernization	1	1	32	34
Civil Aviation		5	14	19
Umm Qasr Port Rehabilitation		1	9	10
Expressways		4		4
Telecommunications/Regulatory Reform			1	1
Telecommunications Systems		1		1
Total	10	53	484	547

Railway Projects

This quarter, an average of 32 trains ran per week—down from last quarter's average of 45 per week.¹⁸⁹ The rate remains far below the planned number of trains for previous quarters. This shortfall is caused primarily by poor security conditions, which continue to hinder the flow of rail traffic in Iraq. For instance, in mid-February, IED detonations delayed a project to repair the Latifiya Bridge.¹⁹⁰ In March, an attack blocked the track structure south of Mansour Station and prevented movement to the Latifiya Bridge.¹⁹¹

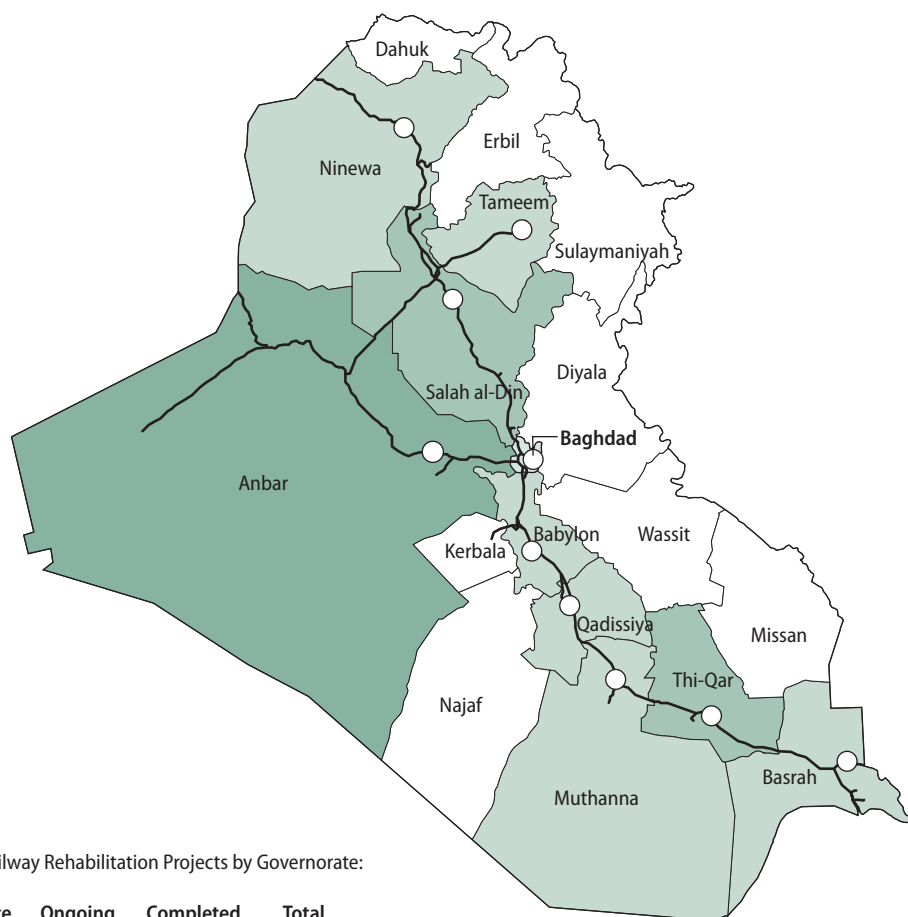
U.S. projects have completed repairs at 92 of 98 railway stations.¹⁹² In other construction activities, rehabilitation of five railway stations in Thi Qar and bridge rehabilitation in Baghdad were completed,¹⁹³ and the work at the **Baghdad Central Railway Station** was completed on March 9, 2007.¹⁹⁴ In addition, the \$3 million contract for the rehabilitation of the Falluja Station and housing was re-awarded.¹⁹⁵ For the railway station projects by location, see Figure 2-35.

Most of the \$197 funding allocated to this subsector is for materials and equipment. Phase I of the **Communications-Based Train Control System (CBTC)** will provide the IRR with a train control system for tracking movement of all locomotives on the rail system. The project is currently 88% complete; it is expected to be finished by September 2007.¹⁹⁶ Phase II, which is 58% complete, will provide a \$41.6 million Digital Microwave Radio Communications Network (also referred to as the **CBTC-backbone**).¹⁹⁷

Aviation Projects

During this quarter, the Baghdad International Airport averaged 403 flights per week¹⁹⁸—a decrease from last quarter's 423—including both military and civil operations. Civil aviation has been allocated \$80 million in IRRF funding. Most of these reallocated funds are slated to support upgrades to Basrah International Airport.¹⁹⁹ Projects at other airports have been completed.

Figure 2-35
RAILROAD STATION REHABILITATION PROJECTS BY GOVERNORATE
 Source: IRMS, IRMO Rollup (3/30/2007)



Status of Railway Rehabilitation Projects by Governorate:

Governorate	Ongoing	Completed	Total
Ninewa		9	9
Tameem		5	5
Salah al-Din		18	18
Anbar		25	25
Baghdad	1	3	4
Babylon		9	9
Qadissiya		4	4
Muthanna		8	8
Thi-Qar		10	10
Basrah	1	5	6
Total	2	96	98

Total Number of Projects Nationwide: 98

Total Number of Projects by Governorate:

- >20
- 10-20
- <10
- No Data
- Railroad Line
- Major Hub Location

Since the DoS *Section 2207 Report* in October 2007, the \$400,000 navigation aid commission flight check was completed at the **Baghdad International Airport**. A number of training programs for **Iraqi Civil Aviation Authority (ICAA)** employees also were conducted this quarter, including O&M on the radar system, air traffic control system, and flight safety. Also, two of three phases of the air traffic control (ATC) training were completed, comprising courses on systems throughout Iraq, feature systems familiarization, terminal radar approach control, quality assurance, and English language training.²⁰⁰

In addition, DoS reported that ATC training in area control center (ACC) procedures, as well as radar simulation training, begins late Spring of 2007. ACC, Terminal Radar Approach Control, and tower ATC training

will continue under contract for the next three years.²⁰¹

Four projects, adding up to approximately \$16.8 million, continued construction this quarter at the **Basrah International Airport**, including two communications projects, a new radar system, and renovations to the airport's water system.²⁰² These projects are scheduled to be delivered by September 2007, except for the new radar system, which is expected to complete in February 2008 because of longer-than-anticipated manufacturing time for the radar.²⁰³ The terminal and tower renovation project is 95% complete, and final completion is scheduled for May 2007.²⁰⁴

Table 2-13 summarizes the work done at the Baghdad, Basrah, and Mosul airports. U.S.-led reconstruction efforts in this subsector are near completion.

STATUS OF U.S.-LED PROJECTS AT IRAQI AIRPORTS, AS OF 3/31/2007

AIRPORT	CONTRACT SIZE	# PROJECTS	ESTIMATED COMPLETION DATE	STATUS
Baghdad	\$17 million	7	October 2006	100% Complete
Basrah	\$25 million	10	December 2007	55% Complete
Mosul	\$10 million	1	September 2006	100% Complete

Source: GRD-PCO, response to SIGIR, April 7, 2007.

TABLE 2-13

Roads and Bridges

U.S.-funded projects in this subsector will not be completed until December 2008. The projects have focused on small village roads, several key highways, and bridges.²⁰⁵

The highway between Baghdad and Kirkuk will be upgraded to four lanes by December 2008. Also, Diwaniya and Al-Samawa will be connected by an upgraded four-lane highway; this \$15.5 million project is scheduled to be completed in February 2008.²⁰⁶ The project is now 35% complete.²⁰⁷

The **Village Roads Program**, budgeted at \$38.5 million, will improve 424 miles of roads throughout 15 governorates in Iraq.²⁰⁸ This quarter, nearly 74 miles of village roads are expected to be completed.²⁰⁹ Originally scheduled to be completed by August 2006,²¹⁰ the project is now estimated to be finished by July 2007.²¹¹ This quarter, GRD reported that the Roads Program was delayed by security problems and a shortage of fuel and bitumen; bitumen and asphalt allocations by the Ministry of Oil are not sufficient to support contractors' needs.²¹²

There are currently 56 PRDC projects, valued at \$56.5 million, and 21 have been completed to date.²¹³ GRD-PCO reports that 15 PRDC projects—seven roads, two bridges, and six streets—were completed this past quarter.²¹⁴

Telecommunications

Mobile phone subscribers continue to increase this quarter, but at a much slower rate than in previous quarters. The number of landline

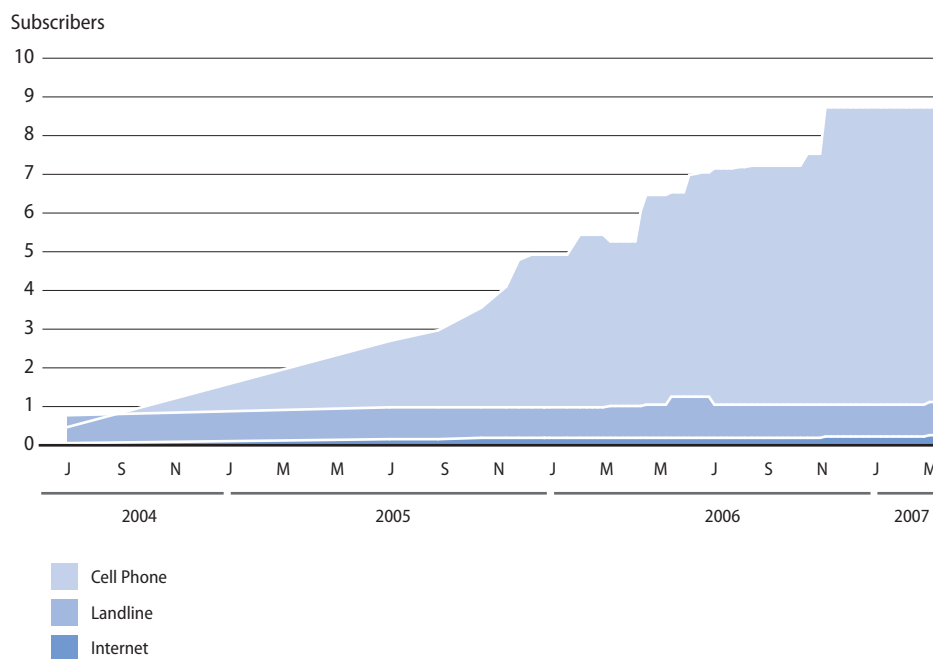
telephone subscribers also increased. Internet services are provided by the State Company for Internet Services (SCIS), licensed private operators, and private non-licensed entrepreneurs. Internet access in Iraq is via dial-up, WiFi, and, increasingly, WiMax networks.²¹⁵ Currently, there are 261,000 estimated Internet subscribers in Iraq.²¹⁶

Figure 2-36 shows the steady rise in cell phone subscribers, and Table 2-14 compares the current number of telephone subscribers with pre-war levels. Demands remain high, but further investment by the cell phone companies remains contingent on resolution of licensing issues.²¹⁷

U.S. initiatives to modernize the **Iraq Telecommunications and Postal Commission** include 34 projects to construct and renovate post offices. At the end of this quarter, the projects were more than 91% complete, up from 80% last quarter. The last post office project is expected to be completed in July 2007.²¹⁸ At the end of March 2007, construction of Diwaniya Postal Station is 60%; security issues have delayed rehabilitation of another postal station.²¹⁹ When finished, the projects are expected to bring mail service to approximately one million Iraqis.²²⁰

The Iraqi Telecommunications System was allocated \$48 million; it is being used to construct a primary switching facility at **Al-Mamoom** and a **wireless broadband network (WBBN)**. As of March 30, 2007, the \$26 million switch facility was 22% complete and is estimated to be finished by September

Figure 2-36
TELECOMMUNICATIONS SUBSCRIBERS
 Subscribers in Millions
 Source: IRMO, *Weekly Status Reports* (12/28/2005 - 3/13/2007)



CURRENT TELEPHONE SUBSCRIBERS VS. PRE-WAR LEVELS

OUTPUT METRICS	PRE-WAR LEVEL (2003)	LAST QUARTER STATUS, AS OF 1/2/2007	CURRENT STATUS, AS OF 3/13/2007
Landline Subscribers	833,000	1,046,027	1,111,000
Mobile Phone Subscribers	80,000	8,712,027	8,720,038

Sources: Pre-war Levels: Economist Intelligence Unit, Country Profile 2005-Iraq, 2005, p. 34; International Telecommunication Union, World Telecommunication/ICT Indicators, no date, p. A-30. Available online at http://www.itu.int/ITU-D/ict/statistics/at_glance/cellular03.pdf; last quarter status: IRMO, *Weekly Status Report*, January 2, 2007, p. 23; current status: IRMO, *Weekly Status Report*, March 13, 2007, p. 22.

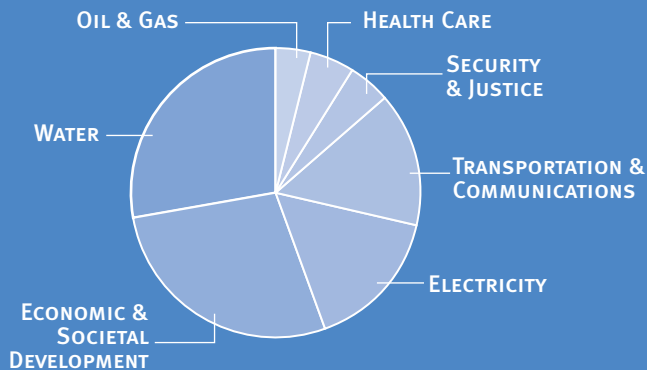
TABLE 2-14

2007, and the O&M for the WBBN project was completed on March 20, 2007.²²¹

To modernize the Iraq telecommunications operations system and support a regulatory agency, the Communications and Media Com-

mission (CMC) was allocated \$20 million.²²²

This quarter, technical training for ten CMC IT staff was completed, and phase one of the Strategic Development Training for CMC staff began in Jordan.²²³



COMMANDER'S EMERGENCY RESPONSE PROGRAM

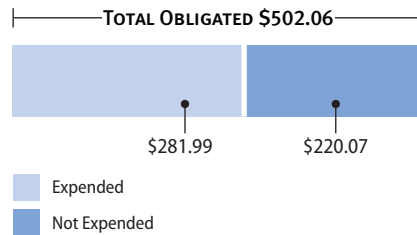
section 2 CERP

Figure 2-37

STATUS OF FY 2006 CERP FUNDS

\$ Millions

Source: MNC-I, Response to SIGIR (4/2/2007)



In this Quarterly Report, SIGIR provides an overview of CERP funds appropriated in FY 2006. As of April 2, 2007, almost \$502.06 million of the \$708 million of CERP FY 2006 appropriations had been obligated, and 56% of the obligated funds had been expended.²²⁴ For the status of CERP funds, see Figure 2-37.

OVERVIEW

In May 2003, CPA created the CERP to allow U.S. military commanders in Iraq to rapidly respond to urgent humanitarian, relief, and reconstruction needs. In June 2003, Fragmentary Order 087 (FRAGO 87) clarified the permissible reconstruction projects and set expenditure limits.²²⁵ Unlike IRRF, CERP funds are not allocated to sectors; unlike ESF, CERP funds are not allocated to tracks. The CERP comprises three primary components: Reconstruction, the Iraqi Economic Initiative, and Death Benefits/Battle Damage.

Commanders prioritize projects in coordination with PRTs, the provincial governor, and PRDCs. Projects are chosen based on how quickly they can be executed, how many Iraqis would be employed, how many Iraqis would benefit, and the visibility of the project.²²⁶

Initially, funding for the CERP came from seized Iraqi assets and the Development Fund for Iraq (DFI), but by late 2003, appropriated U.S. dollars began to be allocated to the CERP. In the National Defense Authorization Act for FY 2006, the Congress gave DoD authority for FY 2006 and FY 2007 to use a maximum of \$500 million from its O&M funds for the CERP in Iraq.²²⁷ As of March 31, 2007, appropriations for the CERP totaled nearly \$2.2 billion.²²⁸

In November 2003, the Congress issued P.L. 108-106, which allowed more flexible contracting regulations for CERP funds and left regulation of the funds to DoD. MNC-I is the overall program coordinator for the CERP; its Major Subordinate Commanders have approval authority of up to \$500,000. The Commander, MNSTC-I, approves projects greater than \$500,000 for MNSTC-I.²²⁹

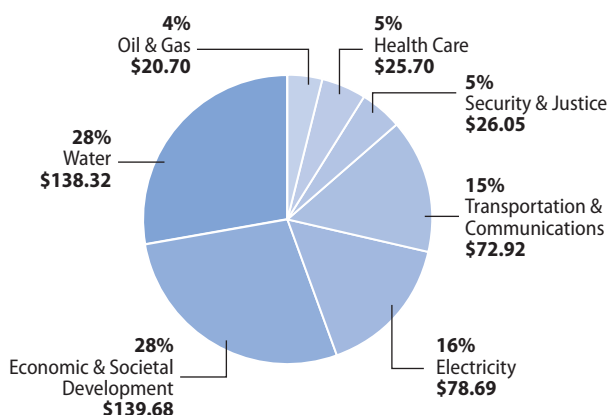
In FY 2006, the Congress appropriated \$923 million for the CERP. As of September 30, 2006, Department of the Army allocated \$724.5 million for use in FY 2006. Of that

amount, the U.S. Central Command allocated \$510 million to MNC-I and \$214.5 million to CERP projects executed by U.S. forces in Afghanistan. The remaining \$198.5 million will be carried forward to FY 2007. See Table 2-15.

SECTOR INFORMATION

CERP guidance directs U.S. military commanders to focus CERP funds on projects that improve water and sanitation, electricity, and civic cleanup, while employing the largest number of Iraqi personnel for an extended period of time. Purchasing officers are encouraged to use local Iraqi firms to conduct CERP projects.²³⁰

Figure 2-38
SECTOR SHARES OF FY 2006 OBLIGATED CERP FUNDS
\$ Millions, % of \$502.06 Million
Source: MNC-I, Response to SIGIR (4/2/2007)



Note:

- Historically, SIGIR calculates sector share of funds by dividing dollars appropriated for each sector by total dollars appropriated. Appropriation detail at the sector and subsector level for CERP FY 2006 is currently unavailable; therefore, the percentages in this graphic are calculated using dollars obligated.
- For reporting consistency, CERP activities are mapped to SIGIR-defined sectors.
- Numbers affected by rounding.
- See Appendix D for the SIGIR and CERP sector cross-reference.

IRAQ CERP ALLOCATIONS, AS OF 3/31/2007 (MILLIONS)

APPROPRIATION	TOTAL PROGRAM FUNDING
P.L. 108-287 (FY 2004)	\$140
P.L. 109-13 (FY 2005)	718
P.L. 109-148 (FY 2006)	510
P.L. 109-234 (FY 2006)	
P.L. 109-289 (FY 2007)	375
Total U.S. Allocations	\$1,743

Note: Data not formally reviewed or audited.

TABLE 2-15

FY 2006 CERP PROJECTS BY TYPE, AS OF 4/2/2007

PROJECT TYPE	PROJECT TOTAL	COMPLETED PROJECTS	ONGOING PROJECTS	OBLIGATIONS	DISBURSEMENTS
Agriculture – Irrigation	114	75	39	\$42,264,077	\$20,328,033
Repair of Damage Resulting from Military Operations	60	57	3	\$1,459,933	\$1,345,848
Civic Cleanup Activities	244	205	39	\$17,358,066	\$15,005,300
Repair of Civic or Cultural Facilities	72	60	12	\$6,721,925	\$3,142,029
Civic Support Vehicles	9	9	0	\$2,194,300	\$2,194,300
Condolence Payments	428	417	11	\$7,754,637	\$7,415,987
Economic, Financial, and Management Improvements	59	49	10	\$10,466,575	\$8,708,447
Education	591	473	118	\$43,081,968	\$28,024,497
Electricity	427	355	72	\$78,686,259	\$42,823,895
Food Production and Distribution	17	15	2	\$1,469,595	\$1,165,646
Health Care	243	190	53	\$25,706,156	\$11,659,185
Rule of Law and Governance	169	153	16	\$10,116,158	\$8,426,269
Other Humanitarian or Reconstruction Projects	176	142	34	\$22,847,021	\$9,691,951
Oil	42	29	13	\$20,700,081	\$6,054,084
Telecommunications	79	65	14	\$7,253,489	\$4,952,040
Transportation	501	433	68	\$65,668,083	\$47,180,995
Water and Sanitation	671	518	153	\$138,319,417	\$63,881,358
Total	3,902*	3,245	657	\$502,067,740	\$281,999,864

Source: MNC-I, response to SIGIR, April 2, 2007

Note: Data not formally reviewed or audited: includes FY 2006 CERP (in-progress and complete only). Project types from Office of the Secretary of Defense CERP guidance, June 29, 2005. Appendix D shows how CERP sectors relate to SIGIR-defined sectors.

*Approximately 3.6% of total projects have either been terminated or have not started.

TABLE 2-16

As of April 2, 2007, 3,245 (83%) of CERP projects had been completed, and an additional 657 (17%) are ongoing (See Table 2-16). For obligations and disbursements of CERP funds by project type, see Figure 2-38.²³¹

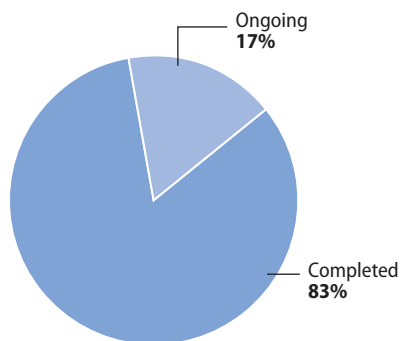
As of March 23, 2007, 171 CERP-funded GRD construction projects have started. For the status of all CERP projects, see Figure 2-39. The total cost of the projects is \$143.2 million.²³² Construction and non-construction costs for the governorates of Baghdad,

Anbar, and Ninewa represent more than 46% of CERP project costs and 48% of projects funded by FY 2006 CERP for the 18 governorates and nationwide. Of the ten strategic cities identified by GRD, three cities—Baghdad, Baqubah, and Basrah—have the highest total project costs and account for approximately 94% of total costs for all strategic cities with projects funded by the CERP.²³³ For allocations of CERP funding by these strategic cities, see Table 2-17.

Figure 2-39

STATUS OF FY 2006 CERP PROJECTS

Source: MNC-I, Responses to SIGIR (4/2/2007) and (4/12/2007)



Sector	Ongoing	Completed	Total*
Electricity	72	355	427
Oil and Gas	13	29	42
Water	153	518	671
Economic and Societal Development	242	968	1,210
Security and Justice	42	687	729
Health Care	53	190	243
Transportation and Communications	82	498	580
Total	657	3,245	3,902

*Approximately 3.6% of total projects have either been terminated or have not started.

CERP FY 2006 FUNDING BY STRATEGIC CITY

STRATEGIC CITY	POPULATION	TOTAL FUNDING FOR STRATEGIC CITIES	TOTAL PROJECTS
Baghdad	5,949,000	\$55,113,798	323
Baqubah	500,000	\$8,142,571	82
Basrah	2,000,000	\$7,173,813	50
Fallujah	200,000	\$3,596,415	97
Kirkuk	750,000	\$1,011,026	5
Mosul	1,750,000	\$256,132	8
Najaf	482,000	\$110,485	5
North Babil	320,000	\$82,676	3
Ramadi	446,000	\$30,000	1
Samarra	200,000	0	0
Total		\$75,516,916	574

Source: IRMS, CERP Excel Workbook, 3/9/2007.

Note: Strategic cities based on GRD, *Bi-Weekly Strategic Cities Report*, March 13, 2007.

TABLE 2-17

Electricity

As of April 2, 2007, approximately \$43 million had been expended to complete 355 of the 427 planned projects. An additional 72 CERP-funded electricity projects were ongoing.²³⁴ Most CERP-funded projects support local efforts to repair electrical distribution and transmission systems.

This quarter, two CERP projects totaling

\$1.4 million will repair two generator farms in Tameem, a district in south Ramadi. These will add approximately 20 MW of power to the Ramadi city distribution grid. However, work is progressing slowly and is about 65% complete.²³⁵ CERP funds also provided sufficient electric generation equipment to help the **EG/Women's Children's General Hospital** in Ramadi run at 100% capacity.²³⁶

Oil and Gas

As of April 2, 2007, \$20.7 million of CERP FY 2006 funds have been obligated to the oil and gas sector. Of these obligated funds, \$6.05 million (29%) has been expended to complete 29 of 42 projects (69%). Thirteen projects are ongoing.²³⁷

Water

Nearly 54% of the obligated CERP FY 2006 funds (\$138.32 million) remains unspent; \$63.88 million was used to complete 518 of the 671 planned projects. An additional 153 projects are ongoing.²³⁸

CERP funds are being used for **CERP5/Kamaliya Network Modifications** in the Baghdad Province. The \$3.1 million project began on February 13, 2005, and is scheduled to be completed on April 7, 2007. It will provide for the design and construction of a sanitary sewer system and trunk lines for six neighborhoods in the Kamaliya District in Baghdad. The project is designed to benefit approximately 60,000 Iraqis.²³⁹

CERP funds (\$.138 million) are also being used to repair and renovate the **Um Al-Delal sewage pumping station**. These lift stations serve more than 12,000 residents of Hayy Salhia.²⁴⁰

Economic and Societal Development

The economic and societal development sector has the largest amount of obligated CERP FY 2006 funds. As of April 2, 2007, \$85 million (61%) of CERP FY 2006 funds have been expended out of approximately \$140 million

obligated to this sector. To date, 968 CERP-funded projects have been completed, and 242 are ongoing.²⁴¹

CERP funds (\$.380 million) are being used to build a new 12-room classroom school in the **Village of Khazna Tappa**, in Ninewa Province. This PRDC project was started on March 11, 2007, and is scheduled to be completed on November 15, 2007. The school will benefit approximately 300 students and their teachers.²⁴²

CERP funds (\$.120 million) were used to start construction on **Al Abbasya Village School**, part of the Ninewa School cluster 5, in Ninewa Province. The objective of this PRDC project is to build a new six-classroom school. The project was started on March 7, 2007, and is estimated to be complete on November 15, 2007.²⁴³

Security and Justice

As of April 2, 2007, \$26.05 million of CERP FY 2006 funds have been obligated to this sector. Additionally, \$20.33 million in CERP funding—78% of the obligated amount—had been expended. Approximately 687 of the 729 planned projects have been completed, and 42 are ongoing.²⁴⁴

Health Care

Approximately 48% (\$12 million) of the \$26 million in obligated funds have been expended in the health care sector, as of April 2, 2007. Of 243 total projects, 190 had been completed, and 53 were ongoing.²⁴⁵

Transportation and Communications

As of April 2, 2007, approximately \$73 million of CERP FY 2006 funds have been obligated, and \$52.13 million have been expended in this sector. Of the planned 580 projects funded by the CERP, 498 had been completed, and 82 were ongoing.²⁴⁶

CERP funds (\$.170 million) were used to construct approximately 1.16 km of concrete paved roads. The five roads will serve a community of approximately 10,000 people. The project has been accepted by the local municipal director, and final inspection was performed by the USACE Local National QA on January 13, 2007.²⁴⁷

On March 11, 2007, CERP funds completed the **Saqliwiah Floating Bridge Road** in Habbaniyah, Anbar Province, and a new paved road was completed between Al Saqliwiah Floating Bridge and Al Bauza Road. The road is approximately 5.5 kilometers long and will serve approximately 69,000 residents of the city of Habbaniyah.²⁴⁸

There are currently 56 CERP facilities and transportation projects in Mosul, valued at \$4.3 million. Of these, 55 have started (\$4.2 million), 50 have been completed (\$2.2 million), 5 are underway (\$2 million), and 1 has not yet started (\$0.1 million).²⁴⁹

CHALLENGES

SIGIR has previously reviewed the CERP program and found that the CERP generally achieved success in smaller projects at the local level;²⁵⁰ however, it is difficult to report on CERP outputs and outcomes for two reasons:

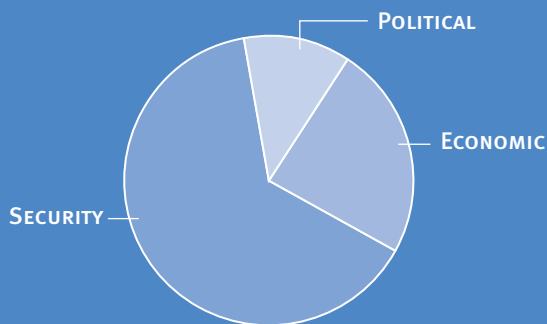
- There is no mechanism in place to specifically measure the outputs and outcomes of CERP-funded projects.²⁵¹
- The high turnover of personnel in Iraq results in diminished continuity of program knowledge.²⁵²

Quality assurance is conducted during and at the completion of a project by outside engineering firms or engineers hired for project oversight. Project effects are embedded in CMO quarterly surveys and daily reports on essential services.²⁵³

At the request of the DoD OIG, SIGIR conducted an audit of the CERP in October 2005 to determine whether funds were properly administered. The audit concluded that “while CERP-appropriated funds were properly used for intended purposes, overall controls over CERP processes required improvement.”²⁵⁴

The SIGIR audit found that although considerable progress had been made to improve management of the CERP, the process to coordinate the efforts of DoS and USAID on CERP projects was not consistent, and MNF-I did not coordinate with DoS for the sustainment of large CERP construction projects.²⁵⁵ This quarter, SIGIR audit 07-006, “Management of the Commander’s Emergency Response Program in Iraq for Fiscal Year 2006,” reviewed the CERP for FY 2006 and found that three of the five SIGIR recommendations have been met. For a summary of the report, see Section 3.

ECONOMIC SUPPORT FUND



section 2 ESF

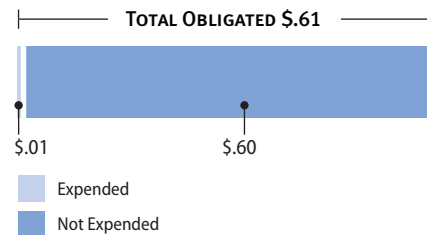
Figure 2-40

STATUS OF ESF FUNDS

\$ Millions

Sources: GRD, Response to SIGIR (4/2/2007);

USAID, Response to SIGIR (4/10/2007)



OVERVIEW

The Economic Support Fund (ESF) is a bilateral economic assistance account and part of the U.S. Foreign Operations Budget used to promote economic or political stability in rebuilding and developing countries around the world.²⁵⁶ The Emergency Supplemental Appropriations for FY 2006, P.L. 109-234, appropriated \$1.485 billion in bilateral economic assistance for ESF projects in Iraq.²⁵⁷

DoS allocates ESF funds for Iraq to three tracks—security (\$932 million), economic (\$345 million), and political (\$208 million).²⁵⁸ USAID and GRD implement most of these projects. For the status of these funds, see Figure 2-40.

FY 2006 EMERGENCY SUPPLEMENTAL APPROPRIATIONS ECONOMIC SUPPORT FUND (MILLIONS)

SECURITY TRACK	IMPLEMENTING AGENCY	AMOUNT
PRT/PRDC Projects	GRD	\$315
Infrastructure Security Protection (Oil, Water, and Electric)	GRD	277
PRTs Local Government Support	USAID	155
Community Stabilization Program in Strategic Cities	USAID	135
Community Action Program	USAID	45
Marla Ruzicka Iraq War Victims Fund	USAID	5
Subtotal		932
ECONOMIC TRACK		
Operations and Maintenance Sustainment	GRD	\$285
Capacity Development and Technical Training	GRD	60
Subtotal		345
POLITICAL TRACK		
Ministerial Capacity Development (USAID)	USAID	\$60
Ministerial Capacity Development (IRMO)	IRMO	45
Regime Crimes Liaison Office	NEA and DOJ	33
Democracy Funding for IRI, NDI, NED	NEA/DRL*	25
Policy and Regulatory Reforms	USAID	20
Civil Society, ADF, IFES	USAID	18
USIP	NEA/DRL	4
Civil Society, IREX	NEA/DRL	3
Subtotal		208
Grand Total		\$1,485

*DoS Bureau of Democracy, Human Rights, and Labor (DRL)
Source: IRMO, *Weekly Status Report*, March 27, 2007, p. 19.

TABLE 2-18

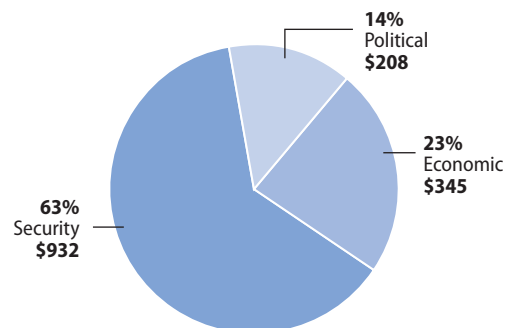
ESF TRACKS

Figure 2-41 and Table 2-18 show ESF funds by track. For a list of ESF contracting actions, see Appendix E.

Security Track

Programs in this track are intended to strengthen the ability of provincial governments to deliver essential services to their communities, strengthen the link between communities and their governments, reduce the incentives for Iraqis to participate in violent conflict, and improve infrastructure security.²⁵⁹ The total amount of ESF 2006 funds

Figure 2-41
ALLOCATIONS OF FY 2006 ESF FUNDS BY TRACK
\$ Millions, % of \$1,485 Million
Source: IRMO, *Weekly Status Report* (3/27/2007)



allocated to this track is \$932 million, which includes \$470 million for PRT/PRDC projects and PRT local government support. PRT/PRDC projects and PRT local government support represent approximately 32% of ESF funding and more than 50% of the ESF Security objective.²⁶⁰ Figure 2-42 shows the status of funds in the security track.

PRT/PRDC PROJECTS

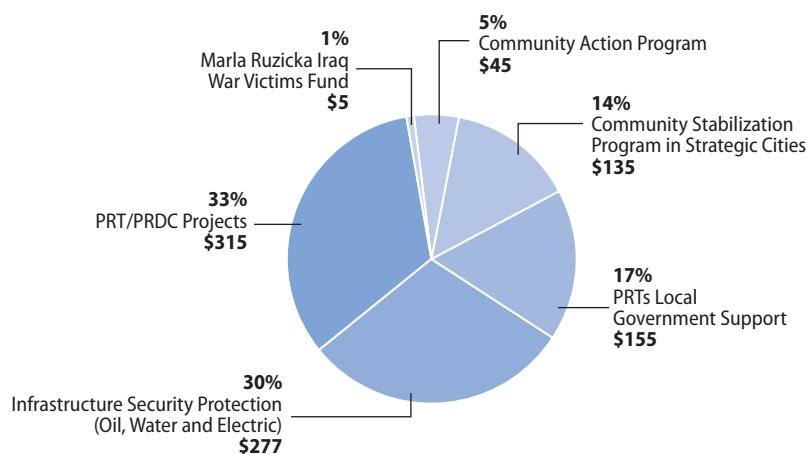
A total of \$315 million of ESF funds for FY 2006 have been allocated for PRT/PRDC projects. As of March 23, 2007, GRD has obligated \$50.8 million.²⁶¹ The National Embassy Team (NET) has approved 136 PRDC projects.

Seven projects, valued at approximately \$9.3 million, have been started.²⁶²

The PRTs help support local Iraqi leaders through targeted assistance, such as micro-loans and grants. These funds “help start new businesses and create jobs, provide services that meet the local needs of their communities, and develop the capacity to govern in an effective, sustainable way.”²⁶³

PRDCs have provided Iraqi officials with greater involvement in determining how U.S. government assistance funds should be used for infrastructure development. The National Coordination Team (NCT) manages the disbursement of this funding.²⁶⁴

Figure 2-42
ALLOCATIONS OF ESF FUNDS - SECURITY TRACK
\$ Millions, % of \$932 Million
Source: IRMO, *Weekly Status Report* (3/27/2007)



Baghdad, Basrah, and the Kurdish Regional Government have been allocated the largest amount of ESF funds:

- \$50 million was allocated to the PRDC in Baghdad; an additional \$50 million was provided for essential service infrastructure.
- The Basrah PRDC was provided \$40 million.

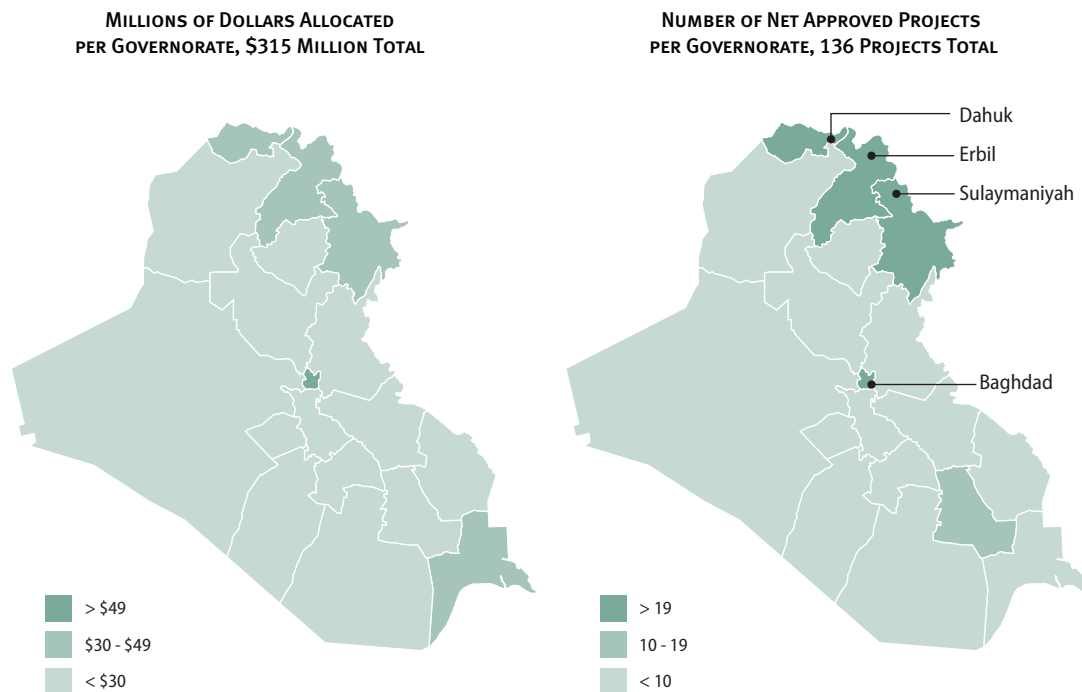
- More than \$31.7 million was obligated to the Kurdish Regional Government, which includes flood assistance.

Figure 2-43 shows the allocation of the ESF by governorate, as well as the number of projects in each governorate.

Figure 2-43

ESF FY 2006 FUNDING AND NUMBER OF PRDC-APPROVED PROJECTS BY GOVERNORATE

Source: IRMO, *Weekly Status Report* (3/27/2007)

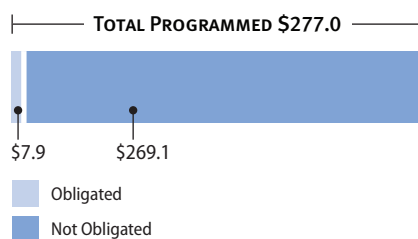


INFRASTRUCTURE SECURITY PROTECTION

Approximately \$277 million of ESF funds for FY 2006 have been allocated to infrastructure security protection. USACE and GRD established a preliminary list of 39 projects for the oil, water, and electricity sectors. GRD will do the design, solicitation, award, and quality assurance for 28 of these projects, which are valued at \$29 million. GRD will manage the remaining 11 projects, which are valued at \$238 million. These projects are typically designed for facilities hardening, improved lighting, communications, and improvements to forward-operating bases used by the Iraqi Army to protect critical infrastructure.²⁶⁵

The main projects are exclusion zones for oil pipelines for \$100 million, oil storage tanks

Figure 2-44
STATUS OF FY 2006 ESF FUNDS - SECURITY TRACK
INFRASTRUCTURE SECURITY PROJECTS IMPLEMENTED BY GRD
\$ Millions
Source: GRD, "Program Review Board," Slide 11 (3/23/2007)



for \$95 million, and oil valves for \$7 million.²⁶⁶ Figure 2-44 and Table 2-19 show the status of the ESF programmed for infrastructure security implemented by GRD.

One example of projects funded in this sub-track is the construction of a security perimeter at the **Al Latifiya Oil Storage Facility** in the province of Baghdad. The contract, which was awarded on April 13, 2007, for \$1.5 million, will include a 2.5-meter, steel-reinforced, finished masonry wall approximately 3,800 meters long.²⁶⁷

**STATUS OF FY 2006 ESF FUNDS—INFRASTRUCTURE SECURITY
IMPLEMENTED BY GRD** (MILLIONS)

SECTOR	PROGRAMMED AMOUNT ^a	TOTAL OBLIGATED ^b	OBLIGATED PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$135.0	\$2.7	2%
Oil	135.0	2.5	2%
Water	7.0	2.7	39%
Total	\$277.0	\$7.9	3%

Source: GRD, "Program Review Board," slide 11, March 23, 2007.

^a Programmed amount is funding obligated to GRD by DoS.

^b Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-19

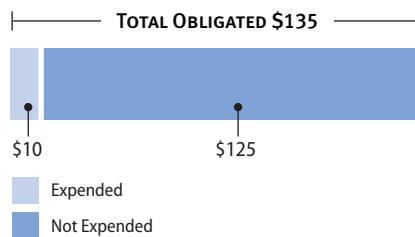
LOCAL GOVERNANCE SUPPORT

The **Local Governance Program** provides aid for provincial and local government policy reform, a decentralized mode of governance, government to citizen services, economic development, and transparency and accountability support. USAID has initiated a procurement action to obligate \$68 million²⁶⁸ of the \$155 million to support an existing program intended to increase management skills and knowledge of provincial and local councils. Additionally, through the PRTs, the funds will help build the capacity of local administrators to direct services in a number of areas.²⁶⁹

Community Stabilization Program in Strategic Cities

USAID has obligated all of the \$135 million in ESF funds for FY 2006 allocated for the **Community Stabilization Program in Strategic Cities (CSP)** and expended \$9.5 million, as of April 10, 2007.²⁷⁰ These obligated funds include \$95 million for job corps employment generation activity, skills development, and vocational education; \$20 million for specialized youth programs; and \$20 million for micro, small, and medium enterprise support linked to vocational training and the job corps.²⁷¹ The

Figure 2-45
**STATUS OF FY 2006 ESF FUNDS - USAID
COMMUNITY STABILIZATION PROGRAMS**
\$ Millions
Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

cumulative expenditure for the CSP program as of March 31, 2007, is approximately \$51 million (\$30 million from IRRF and \$21 million from ESF).²⁷² For the status of FY 2006 funds, see Figure 2-45.

CSP has initiated security assessment and planning activities in Kirkuk, conducted preliminary discussions and planning in Mosul/Talafar, and established contact in Fallujah and Basrah.²⁷³ The estimated completion date for this program is September 30, 2008.²⁷⁴

Community Action Program

The **Community Action Program (CAP II)**, implemented by USAID, has been allocated \$45 million of FY 2006 ESF funds. All of these funds have been obligated, and \$.6 million has been expended.²⁷⁵ For the status of these funds, see Figure 2-46. The CAP has accrued disbursements of \$3.6 million, as of March 31, 2007.²⁷⁶

CAP aims to promote democracy and prevent and mitigate conflict by creating representative, participatory community groups to identify critical priorities and implement programs to address the community needs, including the needs of war victims. CAP has established more than 1,400 community associations throughout the country and created 31,000 long-term jobs since its inception in 2003.²⁷⁷

Recent CAP projects near completion include two **pedestrian bridges in Diwaniyah City** which are expected to benefit 500,000

people, including government workers, laborers, patients and students. This project will provide temporary jobs for approximately 120 Iraqis. Other projects include a new marketplace in Al-Nea, rehabilitation of the Central Library in Kut, and the construction of a sports center in Maymouna.²⁷⁸

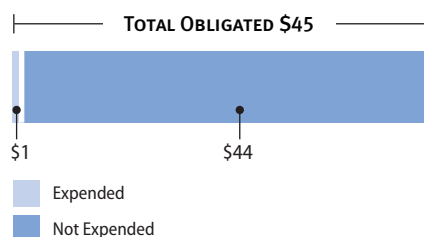
Economic Track

Restore, Reform, and Build is the strategic objective of the economic track, which focuses on strengthening essential service ministries through O&M training programs and in-plant services to sustain U.S. investments in essential service infrastructure.²⁷⁹ Figure 2-41 shows the allocation of the ESF to the economic track.

OPERATIONS & MAINTENANCE

USACE GRD is the implementing agency for this project. A portion of the \$285 million ESF allocated to this program has gone to support IRMO in obtaining written commitments from the Ministries of Electricity, Health, Transportation, Communications, Water Resources and Municipalities and Public Works, as well as the Baghdad Amanat, to include O&M sustainment costs in their 2007 budget. The commitment includes the partial match of O&M sustainment funds provided by the U.S. government in the FY 2006 Supplemental and FY 2007 budgets. Four contracts, worth a total of \$62 million, have been awarded for O&M sustainment of U.S.-funded electric facilities.²⁸⁰

Figure 2-46
**STATUS OF FY 2006 ESF FUNDS - USAID
COMMUNITY ACTION PROGRAMS IMPLEMENTED**
\$ Millions
Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

Figure 2-47

ALLOCATIONS OF FY 2006 ESF FUNDS - ECONOMIC TRACK

\$ Millions, % of \$345 Million

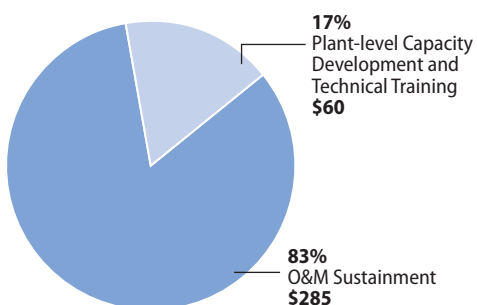
Source: IRMO, *Weekly Status Report* (3/27/2007)

Figure 2-47 and Table 2-20 show the status of the ESF programmed for O&M.

CAPACITY DEVELOPMENT AND TECHNICAL TRAINING

USACE GRD is responsible for the execution and disbursement of the \$60 million of ESF funds allocated to this program, as well as for overall project quality assurance oversight.²⁸¹

As of March 23, 2007, \$14.5 million has been obligated for GRD projects in this program.

Figure 2-48 and Table 2-21 show the status of the ESF programmed for capacity development and technical training.

STATUS OF FY 2006 ESF FUNDS – SUSTAINMENT IMPLEMENTED BY GRD (MILLIONS)

SECTOR	PROGRAMMED AMOUNT ^a	TOTAL OBLIGATED ^b	PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$228.0	\$86.3	38%
Health Care	12.0	0.0	0%
Transportation	7.0	0.0	0%
Communication	6.0	1.3	22%
Water and Sanitation	32.0	2.0	6%
Total	\$285.0	\$89.6	31%

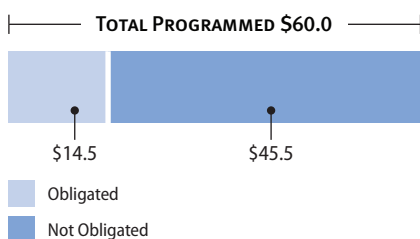
Source: GRD, "Program Review Board," slide 11, March 23, 2007.

^a Programmed amount is funding obligated to GRD by DoS.

^b Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-20

Figure 2-48
**STATUS OF FY 2006 ESF FUNDS - ECONOMIC TRACK CAPACITY DEVELOPMENT
 AND TECHNICAL TRAINING PROJECTS IMPLEMENTED BY GRD**
 \$ Millions
 Source: GRD, "Program Review Board," Slide 11 (3/23/2007)



STATUS OF FY 2006 ESF FUNDS—CAPACITY DEVELOPMENT IMPLEMENTED BY GRD (MILLIONS)

SECTOR	PROGRAMMED AMOUNT ^a	TOTAL OBLIGATED ^b	PERCENTAGE OF TOTAL PROGRAMMED AMOUNT
Electrical	\$25.0	\$12.5	50%
Health Care	12.0	0.0	0%
Transportation	6.0	0.0	0%
Communication	2.0	0.2	10%
Water and Sanitation	15.0	1.8	12%
Total	\$60.0	\$14.5	24%

Source: GRD, "Program Review Board," slide 11, March 23, 2007.

^a Programmed amount is funding obligated to GRD by DoS.

^b Obligated amount is funding GRD has awarded for a contract. IRMO, response to SIGIR, April 20, 2007.

TABLE 2-21

ECONOMIC ACTIVITIES

The GRD Program Review Board reported that, as of March 23, 2007, 7 of the 28 awarded construction projects have been started, at a cost of \$7.3 million in ESF funds.²⁸² The Board also reports that \$1.02 billion of ESF FY 2006 funds have been programmed for 328 reconstruction projects, and \$162.8 million of the fund has been obligated.²⁸³

On December 1, 2006, a contract for \$14 million ESF funds was awarded for refurbishments of **Al-Qudas** and **Burzurgan Power Stations**. The project includes the purchase of a new or refurbished core engine and the removal, replacement, refurbishment, and installation of one core engine at each of the two power plants.

Political Track

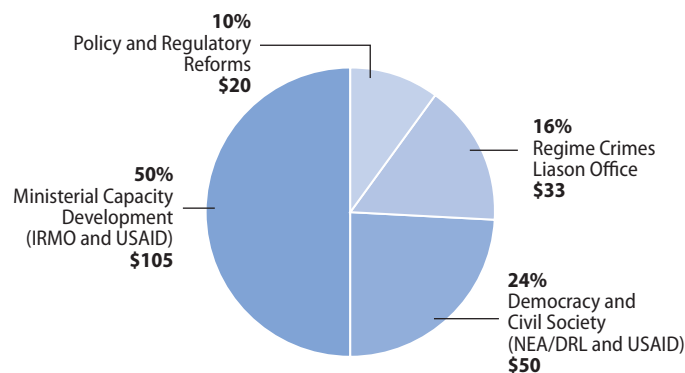
The political track focuses on helping the GOI strengthen the core functions necessary for the efficient administration of its key national ministries. Funds will assist the Ministry of Finance and the Central Bank of Iraq, support critical democracy-building programs, and assist the Iraqi High Tribunal through Regime Crimes Liaison Office programs. USAID's goal in the political track is to build national capacity.²⁸⁴ Figure 2-49 shows the status of ESF funds allocated to the political track.

MINISTERIAL CAPACITY DEVELOPMENT

More than half of the \$105 million in ESF funds allocated to the political track are dedicated to building ministerial capacity. The ministerial capacity program strengthens leadership capacity, assists with budget execution, and improves service delivery.

To implement these programs, IRMO has been allocated \$45 million, and USAID has been allocated \$60 million. As of March 26, 2007, IRMO has obligated \$29.5 million, and USAID has obligated all \$60 million.²⁸⁵

Figure 2-49
ALLOCATIONS OF FY 2006 ESF FUNDS - POLITICAL TRACK
\$ Millions, % of \$208 Million
Source: IRMO, *Weekly Status Report* (3/27/2007)



Note: Does not include IATA or INCLE.

Ministry of Finance and Central Bank of Iraq

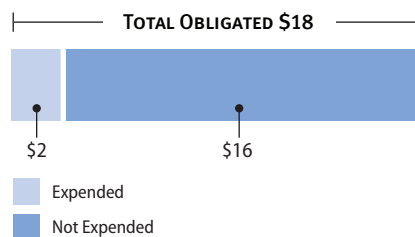
USAID obligated all \$20 million to support an existing program to assist the Iraq Ministry of Finance and Central Bank of Iraq.²⁸⁶ Projects in this program help overcome legal, fiscal, institutional, and regulatory frameworks and functions that complicate the flow of private investment and trade.²⁸⁷

Democracy and Civil Society

The FY 2006 ESF budget allocated \$56 million to Democracy and Civil Society. The FY 2006 Emergency Supplemental allocated \$50 million to this program. All of the \$18 million of ESF FY 2006 funds allocated to USAID for Civil

Society and IFES Election Support Projects has been obligated, and over \$1.8 million has been expended, as of April 2007.²⁸⁸ The DoS Bureau of Democracy, Human Rights, and Labor (DRL) has obligated \$86 million of the FY 2006 ESF funds and Emergency Supplemental to the National Democratic Institute, International Republican Institute, International Research and Exchange Board, and United States Institute of Peace.²⁸⁹

Figure 2-50
**STATUS OF FY 2006 ESF FUNDS - USAID
 DEMOCRACY AND CIVIL SOCIETY PROGRAMS**
 \$ Millions
 Source: USAID, Response to SIGIR (4/10/2007)



Note: Numbers may be affected by rounding.

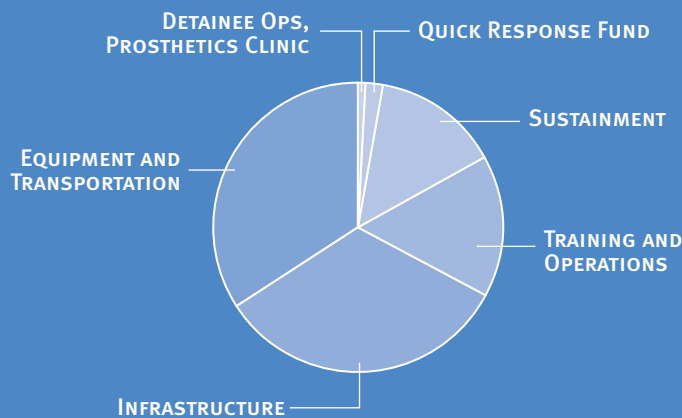
Regime Crimes Liaison Office

All of the \$33 million of ESF funds allocated to the Regime Crimes Liaison Office (RCLO) program have been obligated. This program is implemented by the Department of Justice; however, funds for this program are executed by the RCLO in Baghdad. The program provides support related to trials (i.e., Saddam Hussein's trial), repatriation of remains, mission close-out, demobilization of the forensic analysis facility, courthouse and witness security, judicial training, and capacity building.²⁹⁰

Continuing Issues

ESF provides traditional foreign assistance funding for a bottom-up approach that may help enable a stronger Iraqi leadership. ESF-funded programs are consistent with those identified in January 2007 by the National Intelligence Council with the potential to reverse Iraq's current "negative trajectory."²⁹¹ It is difficult, however, to measure the success of individual programs because many do not have quantitative metrics.

Increased PRT activity and the roll-out of embedded PRTs provide a new level of support for a strategy that is integrated with current security objectives. However, DoS has not yet done an assessment to determine whether PRTs are achieving their purposes.²⁹²



IRAQ SECURITY FORCES FUND

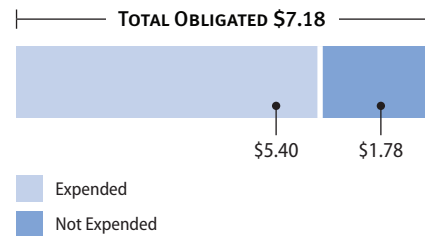
section 2 ISFF

Figure 2-51

STATUS OF ISFF FUNDS

\$ Billions

Source: DoD, Secretary of the Army Update (3/27/2007)



Note:

Totals are produced by combining financial detail from ISFF 2005 and ISFF 2006 funds.

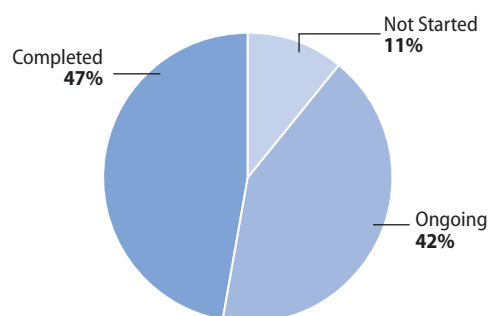
OVERVIEW

In 2005, the Iraq Security Forces Fund (ISFF) was established under P.L. 109-13 to allow the Commander of MNSTC-I to provide assistance to the Iraqi Security Forces (ISF). Along with IRRF, ISFF funds have been used to train and equip the ISF, which was reconstituted after Operation Iraqi Freedom. The central objective of these funds was to stand up an Iraqi force capable of enabling MNF-I to meet critical requirements and transition security authority to the GOI.²⁹³

MNSTC-I no longer oversees any IRRF funds.²⁹⁴ Originally set up parallel to the IRRF and overseen by CPA, ISFF is a DoD-administered resource to provide for “equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction.”²⁹⁵

As of March 27, 2007, approximately 86% of the \$8.32 billion in ISFF funds for FY 2005 and FY 2006 had been obligated, and almost 65% had been expended. An additional \$1.7 billion of ISFF funds has been approved for FY 2007. These funds will remain available until September 30, 2008.²⁹⁶ For the status of ISFF funds, see Figure 2-51.

Figure 2-52

STATUS OF ISFF PROJECTSSource: IRMS, *IRMO Rollup* (3/30/2007)

Project Type	Not Started	Ongoing	Completed	Total
Training and Operations	23	138	149	310
Infrastructure	27	26	52	105
Sustainment		23	12	35
Equipment and Transportation		4	2	6
Total	50	191	215	456

MNSTC-I manages the ISFF funds. MNSTC-I awards approximately 90% of its construction funds through the Air Force Center for Environmental Excellence (AFCEE). AFCEE then awards contracts to U.S. prime contractors that hire and manage Iraqi subcontractors to execute the projects. Consequently, almost all of the employees on these projects are Iraqis. The remaining projects are contracted through GRD and Joint Contracting Command-Iraq (JCC-I); nearly all projects are directly awarded to local Iraqi firms. For non-construction contracts, JCC-I awards more than 50% of ISFF contracts to Iraqi firms.²⁹⁷

MNSTC-I maintains project/program managers to provide oversight of the construction program; these managers review the project scope and cost changes to ensure compliance

with mission requirements and resource availability. To manage cost-overruns, MNSTC-I has a standard 15% contingency for its construction projects.²⁹⁸

Of the 456 projects funded by ISFF in FY 2005 and FY 2006, 215 have been completed, 191 are ongoing, and 50 have not yet started.²⁹⁹ For the status of ISFF projects, see Figure 2-52.

Although most ISFF-funded projects have been completed as planned in terms of scope, money, and schedule, a few projects have encountered delays and cost increases. One of the main reasons is the challenging security environment and the resulting need for additional force protection. Although MNSTC-I does not maintain a separate cost-line related to hiring contracted security, it has been tracking security costs to determine the scope and scale of contracted force and site protec-

tion on its AFCEE projects. Additionally, contractors track cost impacts from insurgent threats on a project-by-project basis and report these impacts to the contracting agency and MNSTC-I for review.³⁰⁰

ACTIVITIES OF THE ISFF PROGRAM

ISFF funds are primarily used to train, equip, and field members of the ISF. For a breakdown of the use of funds, see Figure 2-53. This quarter, the ISFF section focuses on the ISF training and equipping initiatives.

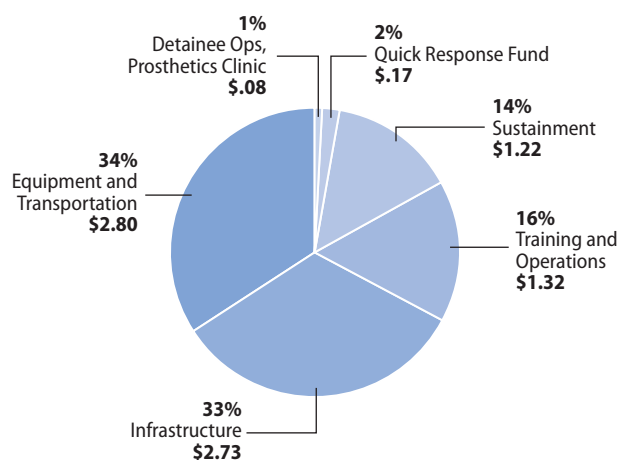
Training, Equipping, and Fielding the Iraqi Security Forces

The initial force-generation plans for the Ministry of Interior and the Ministry of Defense were completed by the end of 2006 when the effort shifted to replacing force losses and developing sustainment capacity.³⁰¹

As of April 4, 2007, 331,000 Iraqi military and police forces have been trained and equipped for security operations, meeting and exceeding the goal of 325,000 ISF personnel:

- 137,700 Iraqi Army, Navy, and Air Force personnel³⁰²
- 193,300 police, highway patrol, and other Ministry of Interior officers³⁰³

Figure 2-53
ALLOCATIONS OF ISFF FUNDS BY SECTOR
Billions, % of \$8.32 Billion
Source: DoD, Secretary of the Army Update (3/27/2007)



Note: Numbers may be affected by rounding.

Fielding and Equipping Trained Troops

The target for training and equipping ISF personnel has been met, but the actual number of security forces on duty remains a concern. DoD continues to note that the actual number of present-for-duty soldiers is about one-half to one-third of the total because of scheduled leave, absence without leave, and attrition.³⁰⁴

The major reason for the discrepancy between authorized strength and actual strength is a policy that allows 25% of soldiers to take leave to bring home their pay.³⁰⁵ Also, the AWOL rate is 5-8%. The Military Court Procedures Law, passed in January 2007, will give commanders a tool to deal with absenteeism and desertion.³⁰⁶ In addition, one proposed measure to discourage troop desertions is a bonus system.³⁰⁷

The Government Accountability Office (GAO) reported this quarter on several factors that prevent the ISF from effectively stopping the violence in Iraq. First, not all of the ISF personnel are responsible for counterinsurgency operations. Only the Iraqi army—approximately 40% of ISF—has the primary mission of battling insurgency. Second, the number of ISF personnel is questionable given the high rate of AWOL and the insufficiency of ministry reporting. Third, sectarian tension and militia infiltration have impacted the dependability of the military forces. Finally, Iraqi forces still depend on Coalition forces for logistical support.³⁰⁸

As of February 19, 2007, there are 112 Iraqi Army battalions, and 103 are conducting operations at varying levels of capability. The GOI and the Coalition are implementing new manning initiatives in 2007. MNSTC-I is training and equipping an additional 30,000 soldiers and increasing the manning of combat units to 110%, and the GOI is increasing the size of the Army by approximately 24,000 soldiers.³⁰⁹

According to DoD, Ministry of Defense forces are increasingly taking the lead in operations.³¹⁰ As of February 13, 2007, 8 Division Headquarters, 31 Brigade Headquarters, and 93 Iraqi Army battalions had been assessed as capable of leading counter-insurgency operations. Moreover, the Iraqi Ground Forces Command (IGFC) had assumed command and control of six of the ten Army divisions.³¹¹ By June 2007, the IGFC is expected to gain control of all divisions.³¹²

Training Iraqi Police

The initial target of training 135,000 Iraqi Police Service personnel has been met this quarter. DoD reported, however, that the distribution of the police did not meet the original program, causing uneven allocations of police personnel among provinces.³¹³

Currently, 203 Police Transition Teams (PTTs) are operating throughout Iraq, assisting the development of the Iraqi Police Service. These teams include International Police Liaison Officers who provide civilian law enforcement expertise in technical aspects

of criminal investigation and police station management. PTTs report the operational readiness of the police forces to MNC-I on a monthly basis.³¹⁴

Complementing the traditional police component in Iraq, the National Police were historically trained for paramilitary operations. There have been numerous accusations of human rights abuses and other illegal activities against these forces. In October 2006, MNSTC-I implemented the National Police Transformation and Retraining program. DoD reports that, as of February 19, 2007, more than 24,400 members of the National Police have completed initial training, meeting the initial goal.³¹⁵

Of the National Police's 27 authorized battalions, 6 are in the lead in their respective areas of responsibility. In addition, the Coalition is supporting the prime minister's initiative to expand the National Police to 10 brigades and 26,900 police.³¹⁶ This quarter, DoD reported that the National Police are disproportionately Shia; therefore, MNSTC-I continues to advocate recruiting initiatives encouraging Sunnis.³¹⁷

Similar to the PTTs, 39 National Police Transition Teams (NPTTs) now support the development of National Police units by mentoring, training, and facilitating communication with Coalition forces. Like their counterparts in military and police, NPTTs also assess the operational readiness of the National Police.³¹⁸

Finally, MNSTC-I has trained and equipped approximately 28,400 Department of Border Enforcement (DBE) and Department of Ports of Entry (POE) personnel, meeting the initial target. The Coalition has funded the forces for 258 of the 420 border posts and forts. Since last quarter, DBE and POE have improved the Transition Readiness Assessment ratings, and the Department of Border Enforcement is now in the lead on Iraq's borders.³¹⁹ The DBE is supported by 28 Border Transition Teams.

Developing Issues with Training the ISF

The ISF's development into a capable instrument of security is central to the GOI meeting benchmarks for increasing international economic and political assistance,³²⁰ as well as the conditions for an effective operational transition from the standing commitment of the MNF-I.³²¹

Recent initiatives in the security sector may test the readiness of the ISF to assume a larger role in Iraq's security. MNF-I and ISF are currently focusing their combined forces on those areas where violence is highest (Baghdad and Anbar provinces) with the intent of holding those areas that have been cleared of hostile elements.³²² The prospect of insurgents striking in other areas creates a dynamic of a more expansive secure-hold-build operation. As such, a greater number of ISF members may likely be required in addition to the ones directed to the Baghdad and Anbar areas of operation.

Although more than \$5 billion in ISFF has been expended to support the development of the ISF, many challenges remain. Principal among these challenges in the near-term is the

capability of the ISF to play a highly visible role helping MNF-I to promote greater security in the country.

CROSS-SECTOR ISSUES

Security Overview

The volatile security environment, coupled with the limitations of the law enforcement and judicial systems, has continued to hinder the progress of reconstruction projects across all sectors. Persistent attacks on U.S.-funded infrastructure projects and sustainment challenges could jeopardize the completion of projects by their planned end-dates of mid- to late-2008.³²³

Protecting linear assets remains a major concern, particularly electricity transmission lines and oil and gas pipelines.³²⁴ DoD reported an average of 1.4 attacks per week on critical infrastructure in the electric, water, and oil and gas sectors.³²⁵ Although the attack rate is lower than in the pre-sovereignty period, the recent attacks are more effective, resulting in greater disruption of services and further diminishing facility output rates.³²⁶ In addition, repair teams sent in after attacks continue to face threats, including kidnapping and murder.³²⁷

Poor security conditions continue to hinder the flow of rail traffic in Iraq. Since February 2006, no trains have operated along the Baghdad-Basrah-Umm Qasr route.³²⁸ This quarter, IRMO reported that the Iraq Republic Railway (IRR) suffers from an intimidation campaign by insurgent forces against IRR

employees at Mosul; this has stopped railway movement of heavy fuel oil from Baiji to Syria.³²⁹

Many schools and universities have been forced to close, and teachers and professors have increasingly become targets of violent attacks. Last quarter SIGIR reported that 90% of the schools in the Diyala governorate are closed because of adverse security conditions, threats, and attacks. Almost no schools in the city of Ramadi in Anbar were open because of threats from Al-Qaida.³³⁰ However, DoS reported this quarter that all schools in Anbar are in session and most schools in Diyala are now open.³³¹

The attacks on teachers and professors have caused a significant number of Iraq's educators to flee the country. In 2006 alone, the Ministry of Education reported that more than 300 of its teachers and employees were killed, and an additional 1,158 were wounded.³³² From 2003 to August 2006, the Ministry of Higher Education reported that 154 professors had been assassinated, and 15 more were killed between August and October 2006.³³³

Also, insurgent attacks have slowed construction of primary healthcare centers (PHCs). This quarter, four PHCs were bombed.³³⁴

Ministerial Capacity Development

Capacity development—the strengthening of human and institutional capabilities to help a society develop a more secure and sustainable economy, government, and infrastructure³³⁵—has been a critical topic, especially during this stage of Iraq reconstruction.

The IRRF has funded \$15 million in initiatives to enhance capacity development. Initial program initiatives included budget execution, procurement reform, strategic planning, specialized ministerial technical assistance, and English language courses across ten key ministries and the Prime Minister's Office.³³⁶

In addition, \$105 million in ESF funds under the FY 2006 Supplemental are allocated for capacity-development projects. The Ministerial Coordination Team and the Ministerial Advisory Team efforts are funded by \$45 million, and USAID will use the remaining \$60 million to focus on longer-term ministerial capacity issues, such as fiscal management, personnel management and administration, strategic planning, and information technology.³³⁷

Sustainment and Logistics

This quarter, DoD reported that “the most significant shortcoming in both Ministry of Defense and Ministry of Interior forces’ capabilities is in planning and executing logistics and sustainment requirements.”³³⁸

The Iraqi Army has 9 motorized transportation regiments, 4 logistics battalions, 2 support battalions, 5 regional support units, and 80 garrison support units to provide logistics and support for divisions. Nevertheless, the system is relatively immature, according to DoD, particularly in warehouse/depot operations and transportation. The Coalition still provides significant assistance to the Ministry of Defense on logistics and sustainment issues by overseeing about 60 transition teams.³³⁹

More than 100 advisors make up the Transition Team working with the Ministry of Interior to improve key ministry functions. As reported in the last Quarterly Report, the ministry is assessed as being partly effective.³⁴⁰

Approximately 14% of ISFF funding has gone to sustainment projects, which include life support, maintenance, repair parts, communications architecture, helicopter sustainment, etc. Some major projects include:

- \$50 million for life support in training academies
- \$30 million for vehicle maintenance
- \$9 million for IT support
- \$151 million for a National Maintenance Contract, eventually to be funded through Foreign Military Sales
- \$57 million for life support for the Basic Combat Training Expansion
- \$12 million for logistical transportation³⁴¹

Other sectors also suffer. This quarter, DoS noted that “planning and spending for infrastructure O&M-related costs is a major shortfall of the GOI budget system.”³⁴²

SIGIR Inspections reports that U.S.-funded projects inspected this quarter that are now under Iraqi control “are not being adequately maintained.” SIGIR Inspection PA-06-094 notes that at Erbil Maternity and Pediatric Hospital, “O&M practices [have] been ineffective” because “hospital workers chose not to use the new equipment.”

Sustainability continues to be an important factor in explaining the slow progress in several reconstruction sectors in Iraq, including oil and gas, electricity, and water. SIGIR Inspections warns this quarter that “if SIGIR’s sustainment reviews are representative of the quality and effectiveness of operation and maintenance on transitioned projects, the value of the United States investment in Iraqi reconstruction will be at risk.”

Budget Execution

According to the U.S. Treasury Attaché in Iraq, in 2006 Iraq spent 75% of its budget—approximately \$26 billion of the \$34 billion total budget.³⁴³ Most of this money went to meet the needs of Iraq’s operating budget, particularly personnel salaries.³⁴⁴ Most of the \$8 billion left unspent from 2006 will be budgeted for expenditure in the 2007 capital budget.³⁴⁵

DoS reports that the GOI has not completed

an audit of its 2006 budget expenditures and that the GOI has not provided finalized 2006 expenditure figures to the United States.³⁴⁶ The GOI uses a “legacy manual reporting system”³⁴⁷ to audit expenditures—not the Financial Management Information System (FMIS), which is part of USAID’s ministry capacity development program. The manual system does not provide for real-time reports.

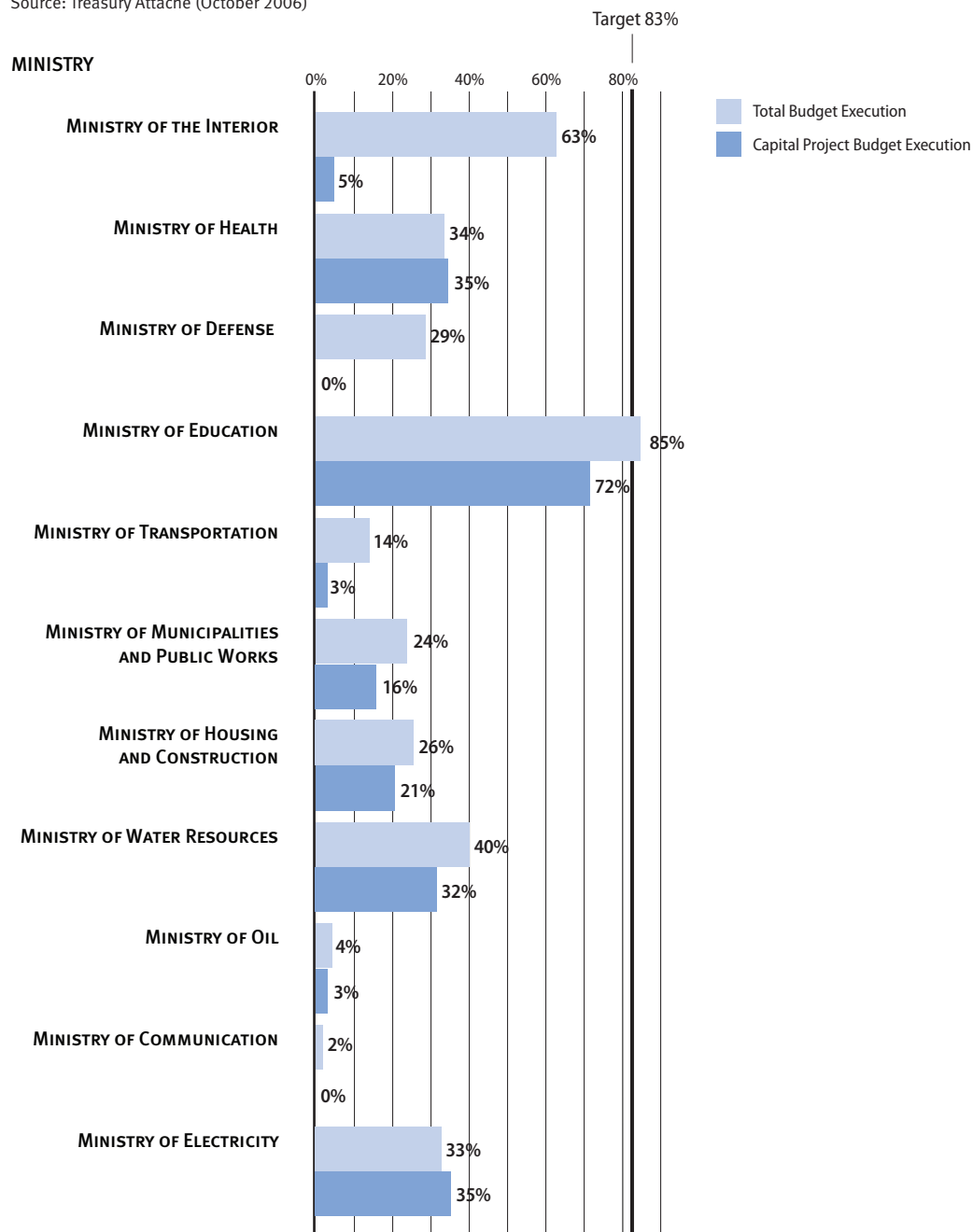
DoS reports unofficial expenditure numbers through November 2006. According to these reports, the GOI spent 20% of its capital budget in 2006.³⁴⁸ Figure 2-54 shows the 2006 breakdown of budget execution by ministry. The Ministry of Oil spent only 4% of its total budget and only 3% of its capital budget. Other ministries that are vital to providing essential services to the people of Iraq, like the Ministry of Electricity and the Ministry of Municipalities and Public Works,³⁴⁹ spent less than 35% of their budgets in 2006.

Although these ministries struggle to execute their capital budgets, DoS noted last quarter that the Ministry of Electricity improved its ability to spend its capital budget because it is better able to follow the Ministry of Finance’s funding procedures. In past reports, SIGIR has noted that some ministries found the financial and procurement restrictions implemented by the Ministry of Finance to control procurement corruption to be “intimidating.”³⁵⁰

Figure 2-54

IRAQI BUDGET EXECUTION BY MINISTRY (UNAUDITED EXPENDITURES THROUGH OCTOBER 2006)

Source: Treasury Attaché (October 2006)



Note: Data not formally reviewed or audited through October 2006.
Numbers may be affected by rounding.
October equals 83.3% of the fiscal year.

Anticorruption Update

Corruption is a major impediment to Iraq's development and growth. It is difficult to measure the real cost of corruption, but the Commission on Public Integrity (CPI) has estimated that corruption costs Iraq \$5 billion annually.³⁵¹

Because of the deteriorating security situation, sectarian political climate, and outdated laws, anticorruption experts believe that opportunities for corruption have increased.³⁵²

The newly appointed Director of the Office of Accountability and Transparency (OAT) in the U.S. Embassy in Baghdad stated that the lack of security for investigators and the limited ability of ministers to stop specific corruption investigations in their ministries are hindering efforts to combat corruption in Iraq. According to this U.S. official, the ministries that are subject to the most claims of corruption are the Ministry of Oil, Ministry of Interior, and Ministry of Defense.³⁵³

U.S. SUPPORT FOR IRAQ'S ANTICORRUPTION EFFORTS

As recommended in the SIGIR audit, Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program, IRMO established OAT in January 2007 to lead and coordinate the U.S. Embassy's anticorruption strategy. OAT is assisting Iraq's anticorruption institutions through training, mentoring, and other technical assistance. OAT provides advisors to the CPI, Iraqi Inspectors General (IIG), and the Board of Supreme Audit (BSA).

ANTICORRUPTION INITIATIVES IN THE INTERNATIONAL COMPACT FOR IRAQ

As part of the International Compact, Iraq has committed to specific steps to improve transparency and inhibit corruption. The Compact outlines a process for developing a legal framework and building institutional capacity to deter corruption at all levels of government. Key priorities and benchmarks include:

- strengthening the rule of law and the capacities of law-enforcement agencies
- developing anticorruption plans for institutions with substantial revenue and expenditures
- fully implementing the public income and asset disclosure law and legislation to enable asset seizure and forfeiture
- strengthening capacity for internal audit and the BSA
- reviewing the mandates of the CPI and the inspectors general to ensure that they work as independent, professional, technical, and non-political bodies
- developing a comprehensive system of internal and external controls within government, including conflict-of-interest policies, audit, and evaluation
- ratifying the UN Convention Against Corruption
- launching a public education campaign on anticorruption

The implementation plan in the Compact outlines benchmarks to strengthen the judiciary and legal institutions, recover assets, and start a public awareness campaign. The entities

responsible for implementing the Compact's anticorruption objectives include the Prime Minister, BSA, CPI, ministry IGs, and the Anti-Corruption Working Group (ACWG). Table 2-22 provides details of the implementation plan.

Iraq has made progress toward achieving its anticorruption goals by drafting a charter to establish an Iraqi organization called the Joint Anti-Corruption Council (JACC) and adopting UN anticorruption protocols.³⁵⁴ Other anticorruption activities by international donors include a training program for CPI by

EUJUSTLEX, an EU organization. The World Bank plans to increase staff in Iraq, including local workers, and to engage in anticorruption initiatives.

IRAQ'S ANTICORRUPTION EFFORTS Joint Anti-Corruption Council (JACC)

The JACC charter brings together the primary anticorruption entities under the leadership of the Prime Minister and lays out the framework for an overall anticorruption strategy. The JACC will include the Secretary General of the Council of Ministers as the Chairman,

INTERNATIONAL COMPACT FOR IRAQ IMPLEMENTATION PLAN

BENCHMARK	INDICATIVE ACTIONS NEEDED	IMPLEMENTERS
Implement specific measures to strengthen the judiciary	<ul style="list-style-type: none"> By the end of 2007, separate the High Judicial Council from the Ministry of Justice. By the end of 2007, provide sufficient security to reduce significantly fatalities and injuries of judges and investigators. 	
Adopt and implement legislation, regulations, and procedures; strengthen the legal and institutional framework for anticorruption	<ul style="list-style-type: none"> By the end of 2007, establish an Anti-Corruption Working Group chaired by the Prime Minister. By the end of 2007, begin to disclose promptly and transparently the instances where the GOI has prevented cases of corruption from being brought to court. 	PM, BSA, CPI, and IGs
	<ul style="list-style-type: none"> By 2007, strengthen audit capacities at ministries and the Board of Supreme Audit. By 2008, review the mandate of the inspectors general and the CPI to ensure that they are independent, professional, and non-political. 	PM
	<ul style="list-style-type: none"> By the end of 2007, develop anticorruption plans for institutions with substantial revenue and expenditure assignments. 	BSA, CPI, and IGs
	<ul style="list-style-type: none"> By the end of 2008, develop a comprehensive system of internal and external controls within the GOI, including conflict-of-interest policies, audit, and evaluation. By the end of 2008, complete a master plan for the anticorruption agencies, developing task forces for high-risk institutions. 	Relevant agencies vetted by ACWG
	<ul style="list-style-type: none"> By the end of 2008, Iraq will ratify the UN Convention Against Corruption and other relevant international agreements. 	PM
Begin recovering ill-gotten assets	<ul style="list-style-type: none"> By 2007, introduce legislation as necessary to authorize asset seizure and forfeiture. By the end of 2008, create a unit to pursue asset recovery in Iraq and abroad and to extradite individuals wanted for corruption. 	ACWG

Source: DoS, response to SIGIR, December 21, 2006.

PM - Prime Minister

BSA - Board of Supreme Audit

CPI - Commission on Public Integrity

IG - Inspector General

ACWG - Anti-Corruption Working Group

TABLE 2-22

a representative from the Prime Minister's office, Chief Justice of the High Court of Iraq, President of the BSA, Commissioner of the CPI, and the Chairman of the Association of the Inspectors General. Representatives from the U.S. and United Kingdom (UK) embassies are invited guests. The committee was scheduled to meet and sign the charter establishing the JACC in February; however, this meeting has been postponed by GOI. The Charter is expected to be signed in April 2007 pending an allowable security environment.³⁵⁵

JACC's mission is to create independent, non-partisan, and non-sectarian oversight institutions and improve their effectiveness. JACC will promote programs to support this mission:

- coordination between anticorruption agencies
- establishment of an anticorruption training academy
- development of anticorruption strategies
- promotion of professional code of ethics

Anticorruption Agency Update

The Commission on Public Integrity has referred 8 ministers and 40 directors general to the judiciary system in connection with the mismanagement of \$8 billion.³⁵⁶ This quarter, the Central Criminal Court of Iraq ordered the Minister of Oil to appear to answer questions after the arrest of the General Director of the Oil Products Distribution Company.³⁵⁷ The case against the Minister of Oil has been referred to the Prime Minister's office.

The Iraq Inspector General system, currently staffed by 2,500 people, will be increased by 1,000 new positions.

The BSA has launched a website (www.bsairaq.net) that includes English language content. Much of the site is still under construction, but the BSA plans to post audits and reports when the site is fully operational.

Challenges to Combating Corruption

The Prime Minister's Office has ordered CPI not to refer to an investigative court any case involving a minister or former minister without prior approval of the Prime Minister.³⁵⁸ Article 136B in the Iraq Criminal Procedure Code provides that no case can go to trial concerning an issue done in the course of duty without permission of the minister of the affected agency. The law, enacted in 1971, was originally intended to be applied after the Investigative Judge concluded the investigation, but it is currently being used to stop investigations before the decision of the Investigative Judge. The law was suspended under CPA Order 55, but the Prime Minister reinstated it.³⁵⁹

An IRMO review of corruption-related cases³⁶⁰ showed that ministers have stopped prosecution and investigations on 48 cases involving 102 individuals under Article 136B. Some observers argue that Article 136B is a necessary check to an anticorruption effort that has become politicized.

CONTRACTS

The Iraq Reconstruction Accountability Act of 2006 expanded SIGIR oversight to include the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Commander's Emergency Response Program (CERP), the Economic Support Fund (ESF), and other reconstruction funds appropriated in FY 2006. As a result, SIGIR is increasing its efforts to collect contract data to account for these funds.

This quarter, SIGIR compiled more than 11,000 contracting actions funded by the IRRF, ISFF, and ESF, totaling approximately \$22 billion in obligations and more than \$17 billion in expenditures.

Contract data for the CERP program is not available at this time. SIGIR will continue to report on IRRF, ISFF, and ESF contracts while further investigating CERP contracting activities.

To date, obligations total approximately \$18 billion for the IRRF, more than \$7.1 billion for the ISFF, and more than \$610 million³⁸⁴ for the ESF. At a contract level, SIGIR can account for 81% of IRRF monies, 99% of ISFF monies, and almost 100% of ESF monies.

Table 2-23 summarizes the IRRF, ISFF, and ESF contracting actions recorded in the SIGIR Iraq Reconstruction Information System (SIRIS), as of April 10, 2007.

SUMMARY OF IRRF, ISFF, AND FY 2006 ESF CONTRACTS IN SIRIS (MILLIONS)

FUND	OBLIGATED	EXPENDED	NOT EXPENDED
IRRF			
GRD Construction	\$7,631	\$6,013	\$1,618
GRD Non-construction	4,017	3,616	401
USAID	2,908	2,732	176
Subtotal	14,556	12,361	2,195
ISFF			
ISFF 2005	\$5,166	\$4,547	\$619
ISFF 2006	1,928	855	1,073
Subtotal	7,094	5,402	1,692
ESF			
GRD	\$178	\$2	\$176
USAID	433	12	421
Subtotal	611	14	597
Total	\$22,261	\$17,777	\$4,484

TABLE 2-23

Contractor Analysis for IRRF

Table 2-24 shows the top ten contractors receiving IRRF funds, as reported in SIRIS. During this quarter, expenditures to Symbion Power, LLC, increased by nearly 70% for transmission projects in the electricity sector.

TOP 10 CONTRACTORS – IRRF (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	EXPENDED PREVIOUS QUARTER	% INCREASE IN EXPENDITURES
Bechtel National, Inc.	\$1,218	\$1,174	\$1,113	5%
FluorAMEC, LLC	\$981	\$899	\$878	2%
Parsons Global Services, Inc.	\$733	\$628	\$610	3%
Parsons Iraq Joint Venture	\$605	\$524	\$456	15%
Kellogg, Brown & Root Services, Inc.	\$571	\$512	\$482	6%
Washington Group International	\$531	\$457	\$427	7%
Development Alternatives, Inc.	\$440	\$436	\$436	0%
Environmental Chemical Corporation	\$355	\$349	\$349	0%
Anham Joint Venture	\$259	\$258	\$258	0%
Symbion Power, LLC	\$249	\$83	\$49	69%

TABLE 2-24

Contractor Analysis for ISFF

Table 2-25 shows the top ten contractors funded by the ISFF, as reported in SIRIS. Innovative Technical Solutions, Inc. (ITSI), and a provider of life support and construc-

tion services, reported the greatest increase in expenditures from the previous quarter. ITSI expenditures more than doubled this quarter. ITSI projects included police stations and other facility construction projects.

TOP 10 CONTRACTORS – ISFF (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	EXPENDED PREVIOUS QUARTER	% INCREASE IN EXPENDITURES
Environmental Chemical Corporation	\$454	\$282	\$236	19%
Aecom Government Services, Inc.	\$236	\$235	\$212	11%
Toltest, Inc.	\$208	\$106	\$89	19%
Tetra International, LLC	\$201	\$129	\$109	18%
AM General, LLC	\$162	\$162	\$161	1%
AMEC Earth & Environmental, Inc.	\$161	\$99	\$82	21%
Washington Group International	\$151	\$81	\$55	47%
Innovative Technical Solutions, Inc.	\$142	\$48	\$21	129%
Iraqi Contractor - 5300	\$141	\$110	\$61	80%
Laguna Construction Company, Inc.	\$124	\$84	\$77	9%

TABLE 2-25

Contractor Analysis for ESF FY 2006

Table 2-26 shows the top ten contractors funded by the ESF. Most activities under the ESF are still in the planning stage; consequently, expenditures by contractors have been minimal. The largest ESF contractor is Research Triangle Institute, which has been obligated more than \$150 million to provide

support for local governance and to promote decentralization. The next-largest contractor is International Relief and Development, which has been contracted to promote economic and social stability in Iraqi communities impacted by insurgent activities.

Appendix E lists contracting actions funded by the IRRF, ISFF, and ESF as recorded in SIRIS.

TOP 10 CONTRACTORS – ESF FY 2006 (MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED	NOT EXPENDED
Research Triangle Institute	\$155	\$0	\$155
International Relief and Development	\$135	\$10	\$125
Management Systems International, Inc.	\$60	\$0	\$60
Wamar International, Inc.	\$57	\$1	\$56
CHF International	\$45	\$1	\$45
Iraqi Contractor - 4767	\$42	\$0	\$42
BearingPoint Inc.	\$20	\$0	\$20
Stanley Baker Hill, LLC	\$13	\$0	\$13
Iraqi Contractor - 4147	\$11	\$0	\$10
CEPPS	\$10	\$2	\$8

Note: Numbers may be affected by rounding.

TABLE 2-26

COST-TO-COMPLETE DATA

U.S. agencies executing reconstruction programs and projects are required by Section 2207 of Public Law 108-106 to provide quarterly estimates of the cost to complete each IRRF-funded project. Cost-to-complete data helps to identify the funding status of all projects—both those that may exceed their budget and those that may be completed under budget, and allows management to prioritize activities.

In past Quarterly Reports, SIGIR highlighted cost-to-complete information from Project Assessment Reports (PARs). United States Agency for International Development (USAID) and Multi-National Security Transition Command-Iraq (MNSTC-I) staff told SIGIR that, as of February 2007, USAID and MNSTC-I each had only one ongoing construction project funded with IRRF funds, and both projects are being implemented by the Gulf Region Division (GRD). GRD's PAR report of December 31, 2006, showed

that GRD had a total of 241 projects, with an estimated cost to complete of \$2.04 billion (out of \$10.27 billion in IRRF-funded construction contracts). Consequently, Department of State (DoS) cost-to-complete reporting is increasingly limited to GRD. MNSTC-I has not reported cost to complete since the reporting period ending June 30, 2006; USAID has continued to submit PARs through December 31, 2006.

This quarter, SIGIR observed that the U.S. agencies' monthly cost-to-complete reports, which are briefed to senior Iraq Reconstruction Management Office (IRMO) officials as part of their oversight efforts, provide essentially the same information as the PAR. For financial data used to project the cost to complete, the reports use the same source—the U.S. Army Corps of Engineers Financial Management System (CEFMS).

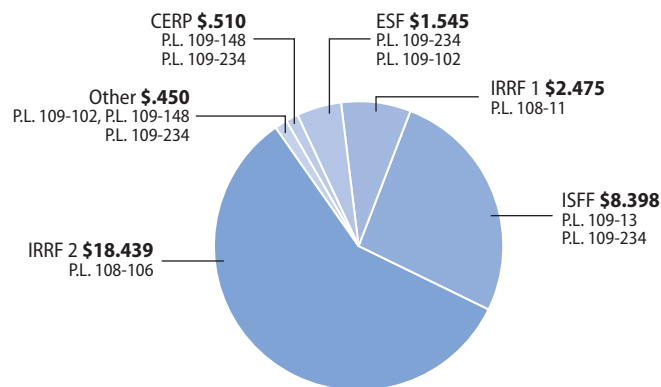
SOURCES OF FUNDING FOR IRAQ RECONSTRUCTION

U.S. Appropriated Funds

Under P.L. 108-106, Section 3001 (as amended), SIGIR is required to report on the oversight of, and accounting for, U.S. taxpayer funds expended in Iraq relief and reconstruction. SIGIR's mandate was expanded on December 20, 2006, under P.L. 109-440, the Iraq Reconstruction Accountability Act of 2006. This legislation gave SIGIR oversight of

any U.S. funds made available for FY 2006 for the reconstruction of Iraq, regardless of how the funds are designated. Figure 2-55 identifies the primary funding activities associated with the new mandate, including ISFF, CERP, ESF, and others. Currently, SIGIR's mandate includes oversight of \$31.817 billion in reconstruction funds.

Figure 2-55
SUMMARY OF SIGIR OVERSIGHT
\$31.817 Billion
Source: SIGIR, Analysis of U.S. Appropriated Funds



CERP = Commander's Emergency Response Program
IRRF 1 & 2 = Iraq Relief and Reconstruction Fund
ISFF = Iraq Security Forces Fund
ESF = Economic Support Fund
P.L. = Public Law

Note: Numbers may be affected by rounding.

The reconstruction effort includes 9 bills passed by the Congress that provided approximately \$37.451 billion in Iraq reconstruction funding, including approximately \$5.634 billion in additional funding not covered by SIGIR's mandate. The total appropriated amount for relief and reconstruction includes:

- IRRF: \$20.91 billion
- ISFF: \$10.098 billion
- CERP: \$2.156 billion
- ESF: \$1.595 billion
- Other U.S. Appropriated Funds: \$2.692 billion

Over the past three years, more than half of U.S. reconstruction funding has come from IRRF 1 and IRRF 2, created under P.L. 109-11 and P.L. 108-106. U.S. agencies involved in the execution of reconstruction funding include DoD, DoS, and USAID. Projects highlighted earlier in this section range from infrastructure development to refugee and migration assistance. The appropriated funds are highlighted in Table 2-27.

At the time of this Report, the most recent public law was the FY 2007 Department of Defense Appropriations Act (P.L. 109-289), which was enacted on September 29, 2007. This law included \$1.7 billion in ISFF funding and \$375 million for CERP. As of mid-April 2007, the amount of funding to be made available for reconstruction activities in the FY 2007 supplemental bill was unclear.

Other Reconstruction Funds

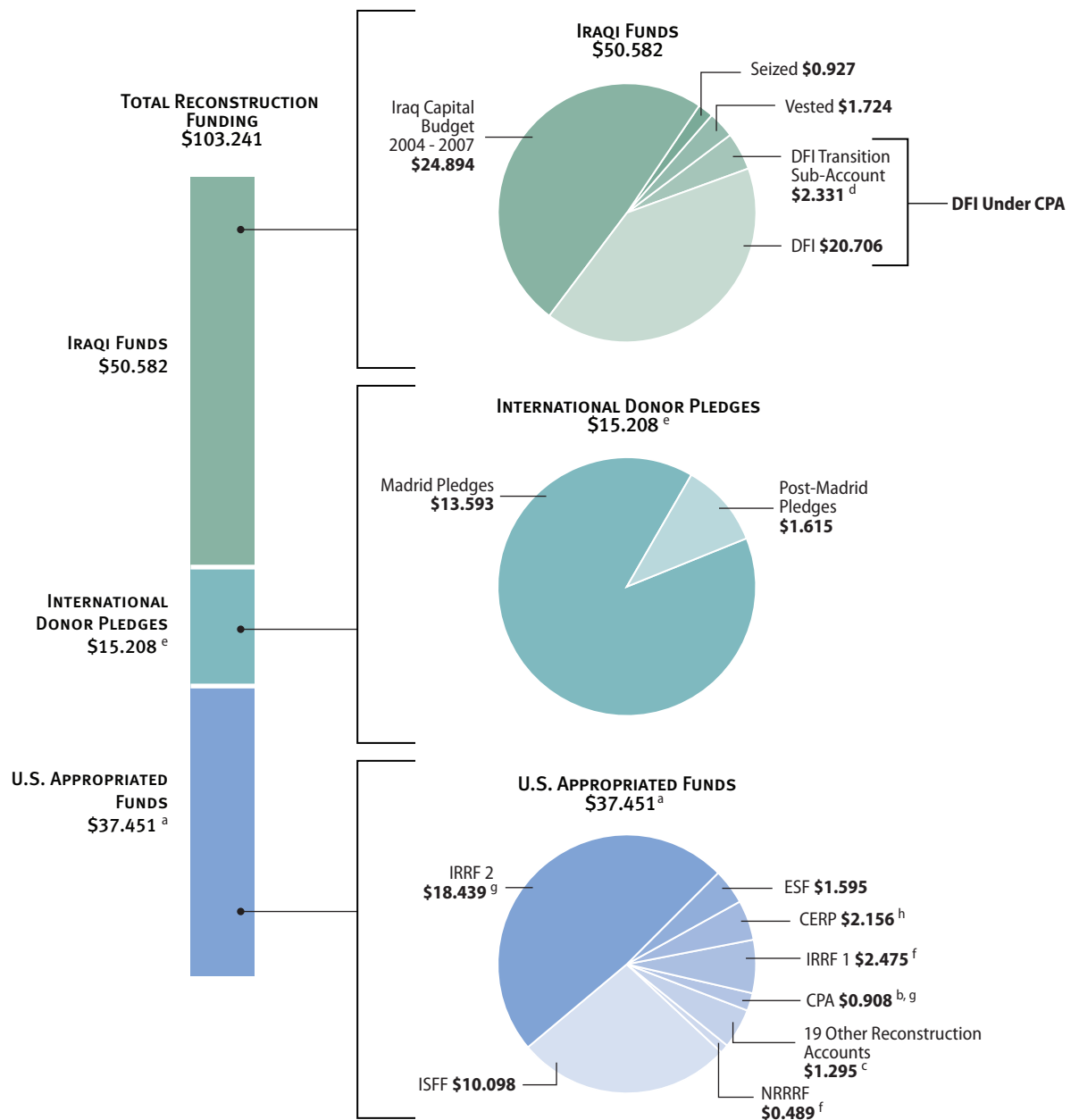
In addition to U.S. appropriated funds, the Iraq reconstruction effort includes funding from international donor funds and Iraqi funds. As of March 31, 2007, international donor funds totaled at least \$15.2 billion, not including humanitarian or other types of assistance—\$13.6 billion pledged at the 2003 Madrid Donors Conference and at least \$1.6 billion in post-Madrid pledges.

Iraqi funds comprise vested and seized funds, the Development Fund for Iraq (DFI), and the Iraq Capital Budget from 2004 to 2007. Iraqi funds have been an important source for reconstruction efforts, particularly during CPA's tenure. As of March 31, 2007, these funds total \$50.453 billion, including:

- vested (frozen) funds of \$1.724 billion
- seized funds, including confiscated cash and property, of \$927 million
- DFI funds of \$23.037 billion (including DFI sub-account and CERP funding), drawn primarily from oil proceeds and repatriated funds
- budgeted Iraqi capital expenditures funding of \$24.894 billion from 2004 to 2007 (although much less has actually been expended)

For an overview of all sources of Iraq reconstruction funding, see Figure 2-56. For more details, see Appendices F, G, and H.

Figure 2-56
SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$103.241 BILLION
 \$ Billions



a. In accordance with P.L. 109-440, SIGIR has oversight for any U.S. funds made available for FY 2006 for the reconstruction of Iraq. When added to IRRF funding, this amounts to approximately \$32 billion.

b. \$75 million is excluded under CPA for the Special Inspector General for Iraq Reconstruction, which is captured under "Other Reconstruction Accounts."

c. Where Iraq-only appropriations unavailable, SIGIR assigned 85% for Iraq based on historical trends.

d. Includes August 11, 2004 transfer of \$86 million cash from Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

e. Includes pledges for reconstruction only, not humanitarian aid or other types of assistance.

f. P.L. 108-11 (April 2003).

g. P.L. 108-106 (November 2003).

h. P.L. 109-148 (January 2005).

SOURCES OF FUNDING

FUNDING MECHANISM	CONOLIDATED APPROPRIATIONS 2003	EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007	TOTAL
PUBLIC LAW #	P.L. 108-7	P.L. 108-11	P.L. 108-106	P.L. 108-287	P.L. 109-13	P.L. 109-102	P.L. 109-148	P.L. 109-234	P.L. 109-289	
DATE OF ENACTMENT	2/20/2003	4/16/2003	11/6/2003	8/5/2004	5/11/2005	11/14/2005	12/30/2005	6/15/2006	9/29/2006	
Iraq Relief and Reconstruction Fund (IRRF 2) ^a			\$18,439,000,000		\$5,391,000,000			\$3,007,000,000	\$1,700,000,000	\$18,439,000,000
Iraq Security Forces Fund (ISFF)										\$10,098,000,000
Iraq Relief and Reconstruction Fund (IRRF 1)		\$2,475,000,000								\$2,475,000,000
Commander's Emergency Response Program (CERP) ^b				\$140,000,000	\$718,000,000	\$60,390,000	\$500,000,000	\$423,000,000	\$375,000,000	\$2,156,000,000
Economic Support Fund (ESF) ^c	\$40,000,000	\$10,000,000						\$1,485,000,000		\$1,595,390,000
Coalition Provisional Authority (CPA) ^d			\$908,000,000							\$908,000,000
Natural Resources Risk Remediation Fund (NRRRF)		\$489,300,000		\$210,000,000						\$489,300,000
New Iraqi Army ^e										\$210,000,000
Project and Contracting Office (PCO/DoD) ^f		\$143,800,000						\$200,000,000		\$200,000,000
International Disaster and Famine Assistance										\$143,800,000
USAID Administrative Expenses ^g		\$21,000,000			\$24,400,000			\$79,000,000		\$124,400,000
Department of State, International Narcotics Control and Law Enforcement (DoS/INL)		\$20,000,000						\$91,400,000		\$111,400,000
Diplomatic and Consular Programs ^h					\$49,659,000	\$56,908,000				\$106,567,000
Special Inspector General for Iraq Reconstruction (SIGIR)			\$75,000,000					\$24,000,000		\$99,000,000
Child Survival and Health Programs Fund		\$90,000,000								\$90,000,000
P.L. 480 Title II Food Aid	\$68,000,000									\$68,000,000
Voluntary Peacekeeping Operations		\$50,000,000								\$50,000,000
Emergency Refugee and Migration Assistance		\$37,000,000								\$37,000,000
Overseas Humanitarian, Disaster and Civic Aid			\$17,000,000							\$17,000,000
International Affairs Technical Assistance								\$13,000,000		\$13,000,000
United States Agency for International Development, Office of Inspector General (USAID OIG)		\$3,500,000	\$1,900,000			\$2,500,000				\$7,900,000
DoD Office of the Inspector General								\$5,000,000		\$5,000,000
Combatant Commander Initiative Fund (formerly known as CINC Initiative Fund)		\$3,612,000								\$3,612,000
Department of Treasury (Salaries and Expenses)								\$1,800,000		\$1,800,000
Department of State Office of Inspector General								\$1,000,000		\$1,000,000
Legal Activities and U.S. Marshals (Salaries and Expenses)								\$1,000,000		\$1,000,000
Non-Proliferation, Anti-Terrorism, and Demining (NADR)								\$1,000,000		\$1,000,000
Democracy Fund										
TOTAL	\$108,000,000	\$3,343,212,000	\$19,440,900,000	\$350,000,000	\$6,185,559,000	\$117,298,000	\$500,000,000	\$5,331,200,000	\$2,075,000,000	\$37,451,169,000

^a \$18,439 billion represents the amount appropriated by Congress for Iraq programs in IRRF 2 under P.L. 108-106, enacted in November 2003. Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$210 million be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the Administration transferred out of the IRRF to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that \$9.95 million be transferred into the IRRF from the DoS Economic Support Fund account.

^b SIGIR reports in Audit 07-006, Congress appropriated \$923 million in FY 06 for CERP activities in Iraq and Afghanistan. The Department of the Army allocated \$724.5 million for use in FY 2006, and carried forward the balance of \$198.5 million to FY 2007. As of September 30, 2006 the U.S. Central Command then allocated \$510 million to MNC-I, with the remaining \$214.5 million going to fund CERP projects executed by U.S. forces in Afghanistan.

^c \$400M from FY 2003 ESF base account that was not reimbursed; \$10M from P.L. 108-11.

^d Excludes \$75M for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

^e Where Iraq-only appropriations unavailable, based on historical trends SIGIR split 85% for Iraq and 15% for Afghanistan.

^f Congress provided funding for PCO in other appropriations bills; more details will be available in future SIGIR reports.

^g Under P.L. 109-234 \$101M was appropriated (\$79M Iraq, \$22M Afghanistan).

^h Includes Iraq Reconstruction Management Office salaries and expenses, mission travel, public diplomacy programs and other operating expenses related to reconstruction.

ⁱ CPA Operating Expenses under P.L. 108-106.

International Donor Funds

This quarter, the total funds pledged for Iraq reconstruction by international donors since 2003 remained constant at \$15.2 billion—\$13.6 billion in pledges from the Madrid Donors Conference in 2003 and \$1.6 billion in post-Madrid pledges. Of the original Madrid pledges, \$10 billion were loans, and \$4 billion

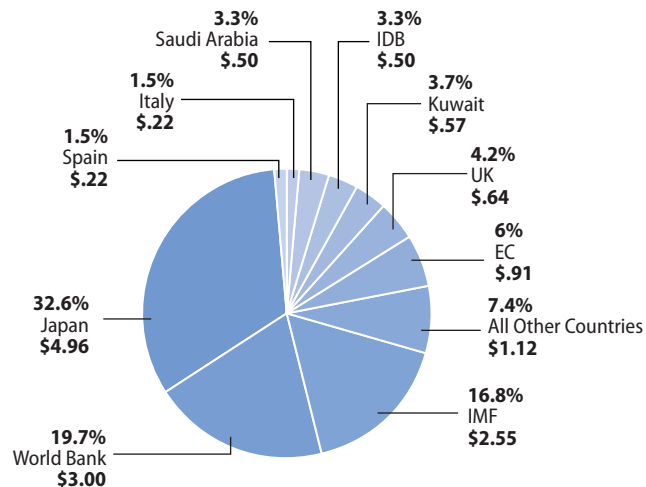
were grants. As of August 2006, DoS estimates that about \$3.7 billion of the original Madrid pledges had been disbursed.³⁶¹ The World Bank has requested updates from donors; however, precise information on the expenditures of these funds continues to be difficult to obtain. For information on these pledges, see Table 2-28 and Figure 2-57.

Figure 2-57

INTERNATIONAL DONOR PLEDGES

\$ Billions, Total Pledges \$15.2 Billion

Sources: DoS, Iraqi Donor Assistance Database; Donor Responses to SIGIR (3/31/2007)



Note: Numbers may be affected by rounding.

SOURCES OF FUNDING

PLEDGES OF RECONSTRUCTION AID TO IRAQ, AS OF 3/31/2007 (U.S. DOLLARS)

DONOR	ORIGINAL MADRID PLEDGES, OCTOBER 2003	ADDITIONAL PLEDGES SINCE MADRID CONFERENCE	TOTAL PLEDGES
Australia	\$45,590,974	\$81,042,221	\$126,633,195
Austria	5,478,165		5,478,165
Belgium	5,890,500		5,890,500
Bulgaria	640,000		640,000
Canada	187,466,454		187,466,454
China	25,000,000		25,000,000
Cyprus	117,810		117,810
Czech Republic	14,659,023		14,659,023
Democratic Governance Thematic Trust Fund		100,000	100,000
Denmark	26,952,384	40,000,000	66,952,384
Estonia	82,467		82,467
Finland	5,890,500		5,890,500
France		32,288	32,288
Germany		10,000,000	10,000,000
Greece	3,534,300		3,534,300
Hungary	1,237,005		1,237,005
Iceland	2,500,000		2,500,000
India	10,000,000		10,000,000
Iran	5,000,000	5,000,000	10,000,000
Ireland	3,534,300		3,534,300
Italy	235,620,020		235,620,020
Japan	4,914,000,000	50,000,000	4,964,000,000
Jordan		75,000	75,000
Kuwait	500,000,000	65,000,000	565,000,000
Lithuania		30,000	30,000
Luxembourg (EURO)	2,356,200		2,356,200
Malta	27,000		27,000
Netherlands	9,424,801		9,424,801
New Zealand	3,351,975	990,000	4,341,975
Norway	12,867,617		12,867,617
Oman	3,000,000		3,000,000
Pakistan	2,500,000		2,500,000
Qatar	100,000,000		100,000,000
Saudi Arabia	500,000,000		500,000,000
Slovenia	419,382		419,382
South Korea	200,000,000		200,000,000
Spain	220,000,000	2,380,000	222,380,000
Sri Lanka		75,500	75,500
Sweden	33,000,000		33,000,000
Turkey	50,000,000		50,000,000
United Arab Emirates	215,000,000		215,000,000

PLEDGES OF RECONSTRUCTION AID TO IRAQ, AS OF 3/31/2007 (U.S. DOLLARS)

DONOR	ORIGINAL MADRID PLEDGES, OCTOBER 2003	ADDITIONAL PLEDGES SINCE MADRID CONFERENCE	TOTAL PLEDGES
United Kingdom	\$452,326,416	\$190,000,000	\$642,326,416
United States	10,000,000		10,000,000
Vietnam		700,000	700,000
Subtotal	7,807,467,293	445,425,009	8,252,892,302
European Commission	235,620,000	669,680,000	905,300,000
Subtotal	8,043,087,293	1,115,105,009	9,158,192,302
INTERNATIONAL FINANCIAL INSTITUTIONS			
IMF (low range)	2,550,000,000		2,550,000,000
World Bank (low range)	3,000,000,000		3,000,000,000
Islamic Development Bank		500,000,000	500,000,000
Subtotal	5,550,000,000	500,000,000	6,050,000,000
Total International Donor Assistance	\$13,593,087,293	\$1,615,105,009	\$15,208,192,302

Source: DoS, Iraqi Donor Assistance Database, donor response to SIGIR.

Note: Data not formally reviewed, audited, or verified. Pre-Madrid pledges for humanitarian assistance are not included in this table.

TABLE 2-28

INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

A portion of the Madrid pledges is administered by the International Reconstruction Fund Facility for Iraq (IRFFI). Twenty-six

donors have committed \$1.64 billion³⁶² to the two IRFFI funds—the UN Development Group Iraq Trust Fund (UNDG ITF) and the World Bank Iraq Trust Fund (WB ITF). Table 2-29 shows donor contributions to the IRFFI.

TOTAL IRFFI DONOR CONTRIBUTIONS, AS OF 3/31/2007*

DONOR	COMMITMENTS		DEPOSITS	
	WORLD BANK	UNITED NATIONS	WORLD BANK	UNITED NATIONS
Australia	\$16,100,000	\$20,670,000	\$16,100,000	\$16,775,000
Australia (Dept. of Immigration)	-	3,292,000	-	3,292,000
Belgium	-	1,321,000	-	1,321,000
Canada	26,020,000	63,640,000	22,300,000	46,400,000
Denmark	-	12,410,000	-	12,410,000
Finland	2,600,000	6,234,000	2,600,000	6,234,000
Germany	-	10,000,000	-	10,000,000
Greece	-	3,630,000	-	3,630,000
Iceland	1,000,000	500,000	1,000,000	500,000
India	5,000,000	5,000,000	5,000,000	5,000,000
Iran**	-	-	-	-
Ireland	-	1,226,000	-	1,226,000
Italy	-	29,782,000	-	29,782,000
Japan	130,634,143	360,951,000	130,634,143	360,951,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
Luxembourg	-	2,319,000	-	2,319,000
Netherlands	6,200,000	6,697,000	6,200,000	6,697,000
New Zealand	-	3,365,000	-	3,365,000
Norway	6,700,000	7,009,000	6,700,000	7,009,000
Qatar	5,000,000	5,000,000	2,500,000	5,000,000
South Korea	4,000,000	11,000,000	4,000,000	11,000,000
Spain	20,000,000	60,630,000	20,000,000	47,509,000
Sweden	5,800,000	10,622,000	5,800,000	10,622,000
Turkey	1,000,000	200,000	1,000,000	200,000
United Kingdom	71,400,000	55,542,000	71,400,000	55,542,000
United States	5,000,000	5,000,000	5,000,000	5,000,000

DONOR	COMMITMENTS		DEPOSITS	
	WORLD BANK	UNITED NATIONS	WORLD BANK	UNITED NATIONS
European Commission (Rapid Reaction Mechanism)	3,000,000	24,978,000	-	24,978,000
European Commission (Human Rights)	-	7,258,000	-	7,258,000
European Commission	120,000,000	452,090,000	150,214,592	441,254,000
Total Donor Assistance	\$461,420,000	\$1,177,360,000	\$455,748,735	\$1,149,290,000

Source: IRFFI, Donor Commitments, March 31, 2007.

* World Bank ITF deposits are as of 2/28/07.

**Iran has pledged \$10 million, but funds have not been allocated between WB ITF and UNDG ITF.

TABLE 2-29

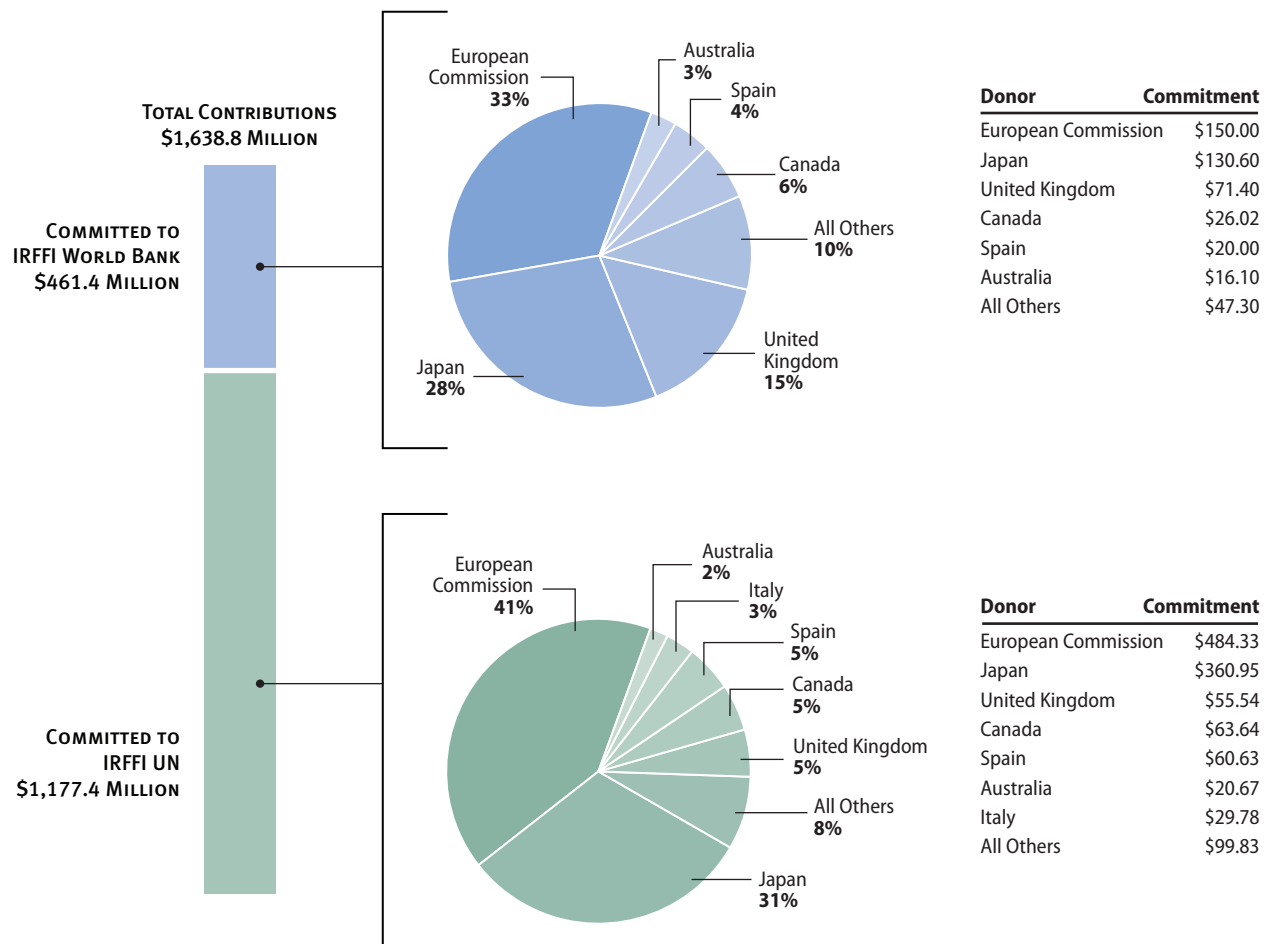
Figure 2-58 shows international donor contributions to IRFFI, as of March 31, 2007.

Figure 2-58

INTERNATIONAL DONOR CONTRIBUTIONS TO IRFFI

\$ Millions

Source: www.irffi.org (3/31/2007)



Note: Numbers may be affected by rounding.

World Bank Iraq Trust Fund

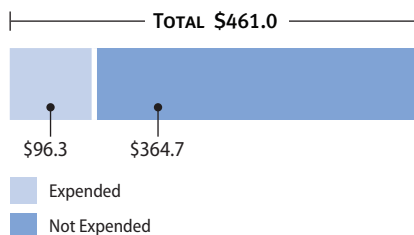
In January 2004, donors authorized the World Bank to administer the WB ITF, which began receiving funds in March 2004. As of March 31, 2007, 17 donors pledged approximately \$461 million to the World Bank ITF; approximately \$455 million has been deposited. Of that amount, \$304 million has been contracted, and \$96.3 million has been expended for projects:

- \$437 million of the WB ITF has been allocated to 16 projects.

- The GOI directly implements 13 of the 16 projects, valued at \$425 million.
- The World Bank implements the remaining three projects (\$12 million) in capacity building and technical assistance.
- Two World Bank projects financed by the ITF—the First Capacity Building Project and the Emergency Textbook Provision Project—are completed and closed.

Figure 2-59 reflects the status of WB ITF funds through March 31, 2007.

Figure 2-59
WORLD BANK IRAQ TRUST FUND - STATUS OF FUNDS
\$ Millions
Source: www.irffi.org (3/31/2007)



UN Development Group Iraq Trust Fund

The United Nations Development Programme (UNDP) administers the UNDG ITF. As of February 28, 2007, 25 donors have committed approximately \$1.2 billion to the ITF, of which \$1.15 billion has been deposited. Sixteen UN agencies are implementing 116 projects with \$903 million in funding. UNDP has the most approved funding (\$255 million), followed by the UN Office for Project Services (\$159 million) and UNICEF (\$124 million):

- \$704 million (78%) has been obligated.

- \$599 million (66%) has been expended.
- 21 projects have been completed.

For the status of UNDG ITF funds through February 28, 2007, see Figure 2-60.

Donors can earmark their contributions to seven different clusters within the ITF. Infrastructure rehabilitation (\$225 million) and support for the electoral process (\$219 million) are the most popular clusters among donors. Figure 2-61 shows the UNDG ITF by UN cluster.

Figure 2-61
UNDG IRAQ TRUST FUND BY UN CLUSTER
\$ Billions, % of \$1.17 Billion
Source: www.irffi.org (2/28/2007)

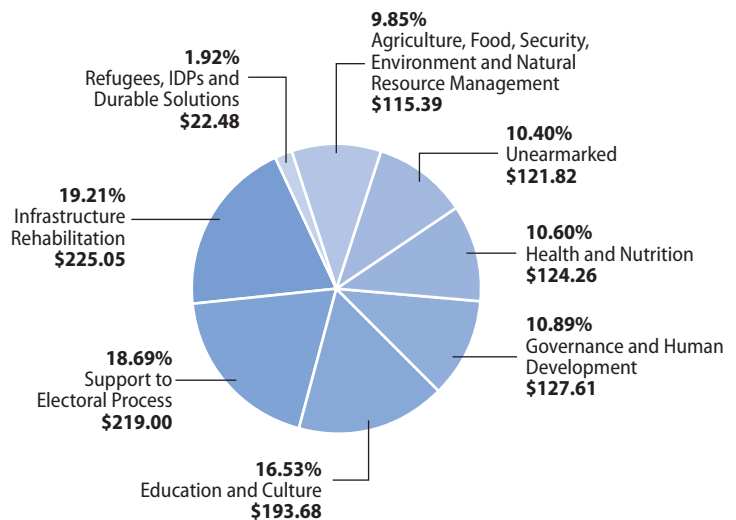


Figure 2-60
UNDG IRAQ TRUST FUND - STATUS OF FUNDS
\$ Billions
Source: www.irffi.org (2/28/2007)



Other popular sectors among donors and Iraqis include agriculture, education, and health (\$194 million). The UN website (www.irffi.org) posted \$493 million in contract awards. This quarter Austria, United Arab Emirates, United Kingdom, and the United States were each awarded one contract; Jordan was awarded eight contracts totaling \$89,846.³⁶³ Table 2-30 shows the contract awards for this quarter.

IRFFI Donor Committee

The Donor Committee that oversees IRFFI held its fifth meeting in Istanbul, March 19-20, 2007. The committee reaffirmed its support for IRFFI, which should remain an important vehicle for donors to support the implementation of the International Compact for Iraq. This commitment is demonstrated by the decision reached during the meeting to pass the chairmanship of the committee from Canada to Iraq and Italy. The co-chairmanship will be an interim measure for one year.

During the meeting, the UN and World Bank presented progress reports to update donors on Trust Fund programs, achievements, challenges, and lessons learned. Price Waterhouse Coopers conducted an independent lessons-learned and review exercise of the entire UNDG ITF operation, under contract with the UNDP Office of Audit and Performance Review in 2005. In January 2007, the UNDP Office of Audit and Performance Review issued the final report, which included these main recommendations:

**CONTRACT AWARDS UNDER UNDG ITF,
JAN-FEB 2007**

COUNTRY	NUMBER OF AWARDS	AWARD AMOUNT
Austria	1	\$28,715
Jordan	8	89,846
United Arab Emirates	1	2,760
United Kingdom	1	65,490
United States	1	9,800
Total Awards	12	\$196,611

Source: IRFFI, UNDG ITF Newsletter, February 2007.

TABLE 2-30

- Create an independent body to oversee operations.
- Institutionalize and standardize business mechanisms and processes to alleviate uneven performance among project clusters.
- Align projects with Iraq's national priorities and the National Development Strategy.
- Strengthen monitoring capabilities.
- Strengthen systems and mechanisms to minimize risks of wrongdoing and fraud.

The report cited that the UNDG ITF had strong internal controls and transparency:

- The regulatory framework fully complied with and even exceeded specified requirements.
- Highly innovative steps had been taken to ensure transparency and disclosure of information.³⁶⁴

A Norwegian consulting group, Scanteam, conducted another external review, which was also issued in January 2007. The Scanteam review presented these conclusions:

- Multi-donor Trust Funds (MDTFs) managed by the World Bank and UN are both necessary in most transition situations.
- MDTFs cannot be treated as successive stages but need to operate concurrently, albeit with the UN MDTFs starting earlier, and the World Bank MDTFs continuing until governments can accept General Budget Support.
- MDTFs need to work within a structure that maximizes synergies and encourages donors to see them as two arms of transition financing, rather than competing options.³⁶⁵

Discussions were also held with donors to ensure that the IRFFI continues to be relevant as the situation in Iraq evolves.³⁶⁶

For a list of the members of the Donor Committee, see Table 2-31.

DONOR COORDINATION BY THE IRAQI GOVERNMENT

The International Cooperation Directorate (ICD) in the Ministry of Planning seeks to integrate international assistance into Iraq’s national development goals and strategies and help implement donor-funded programs. ICD comprises four units:

- Project Analysis evaluates project requests.
- Monitoring and Evaluation monitors the

MEMBERS OF THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ DONOR COMMITTEE

Australia	Japan
Canada	Kuwait
Denmark	Norway
European Commission	Qatar
Finland	South Korea
Germany	Spain
India	Sweden
Iran	Turkey
Iraq (Co-chair)	United Kingdom
Italy (Co-chair)	United States

TABLE 2-31

- progress of ongoing projects.
- Donor Relations communicates progress information to the donor community.
 - Donor Assistance Database (DAD) tracks all donor assistance.

The DAD is a depository of investment data for projects financed by the international community. It analyzes and tracks aid flow, prioritizes investment needs, measures project success, and reports on investments.³⁶⁷ In 2007, the Ministry of Planning intends to decentralize aid management by developing regional and ministerial databases during Phase III of DAD implementation. The regional and ministerial databases will link to the central DAD. DAD is currently available online at www.mop-iraq.org.

As of March 31, 2007, DAD included 17,442 projects, totaling \$17.13 billion, associated with 20 donors. Against these projects, \$14.98 billion had been committed, and \$10.17 billion had been expended. Although these numbers are not verified or audited, DAD lists 16,941 U.S. projects, totaling \$13.61 billion. According to DAD, the United States had committed \$11.99 billion and expended \$8.13 billion against these projects.

MAJOR BILATERAL AND MULTILATERAL PROGRAMS

Regional Cooperation

On March 10, 2007, the countries neighboring Iraq, the permanent members of the Security Council, and others met in Baghdad to focus regional and international efforts on supporting Iraq. Leaders in the region expressed their commitment to maintaining Iraq's unity and territorial integrity and helping Iraq reduce violence, strengthen dialogue, and promote economic development. As a mechanism to assist with regional cooperation in support of Iraq, these countries set up working groups on security, refugees, and energy supply.³⁶⁸

Iran

In March 2007, Iraq and Iran signed an agreement in Tehran to expand commercial and economic exchanges between the two countries. The agreement came at the end of three days of discussions to increase commercial cooperation between the government and private sectors in both countries, to establish duty-free markets at border crossings, and to facilitate banking sector procedures.³⁶⁹ Iran's direct financial support includes:

- \$45 million credit for two oil pipelines connecting Iran and Iraq
- \$10 million grant to IRFFI
- \$1 billion line of credit

Japan

At the Madrid Conference, Japan announced its financial assistance package totaling up to \$5 billion. The package comprises \$1.5 bil-

lion in grant aid for immediate reconstruction needs, including power generation, education, water and sanitation, health and employment, and security. The package also includes \$3.5 billion in loans to meet medium-term needs. The \$1.5 billion in grant aid has been fully expended, and \$1.6 billion in loans has been committed for transportation, energy, and irrigation projects.

Japan's \$1.5 billion grant funded these initiatives:

- direct assistance for Iraq (approximately \$938 million, including technical cooperation)
- assistance through international organizations (approximately \$116 million)
- assistance through IRFFI (approximately \$491 million)
- assistance through International Finance Corporation's Small Business Financing Facility (approximately \$10 million).³⁷⁰

Japan will provide loans to the GOI to fund eight projects, totaling \$1.6 billion:

- Port Development Project (\$260 million)
- Irrigation Sector Loan Program (\$80 million)
- Al-Mussaib Thermal Power Plant Rehabilitation Project (\$310 million)
- Samawah Bridges and Roads Construction Project (\$30 million)
- Engineering Services for Basrah Refinery Upgrading Project (\$20 million)
- Khor Al-Zubair Fertilizer Plant Rehabilitation Project (\$160 million)

- Crude Oil Export Facility Rehabilitation Project (\$450 million)
- Electricity Sector Reconstruction Project (\$290 million)

In February 2007, Japan extended a new emergency grant of approximately \$100 million to assist GOI with nation-building efforts, including developing the International Compact for Iraq.³⁷¹

United Kingdom

The UK commitment to Iraq is \$1.11 billion. Table 2-32 shows UK expenditures by program. The UK Department for International Development (DFID), which is responsible for implementing UK pledges, has been involved in many of the same types of projects that the United States is funding, but on a smaller scale and focused more in the south:

- rehabilitating power and water infrastructure
- organizing the Prime Minister’s office and the governors’ offices in the south
- training for the Government Communications Directorate
- planning and budgeting for the strategic development in the southern provinces
- intergovernmental coordination
- macro-economic and budget reform
- strengthening independent broadcasting
- developing civil society

The UK also has a quick-impact program financed by the Ministry of Defense that has

a similar mission to that of the Commander’s Emergency Response Program (CERP). DFID reports many of the same challenges that CERP reports: security, constantly changing government counterparts, and weak overall government capacity. DFID’s program for 2006-2007 focuses on economic reform, delivering power and water improvements in the south, governance and institution building in Baghdad and the south, support for civil society and political participation, and capacity building in the Ministry of Interior. DFID funds a World Bank advisor in Baghdad to speed up engagement in oil and electricity issues and to help the Iraqi government develop a plan for the energy sector.

World Bank

The World Bank has approved four projects (\$399 million) through its International Development Association loans to focus on basic services—education, electricity, transportation, and water supply:

UK DONOR EXPENDITURE,*
AS OF 03/31/2007 (MILLIONS)

DFID Bilateral Programme	\$562
IRFFI Trust Funds	127
Contribution to EC Programme	142
FCO Programmes	64
Global Conflict Prevention Pool	72
MoD Quick Impact Projects	59
Total	\$1,026

Source: DFID, response to SIGIR, April 5, 2007.
*Unofficial Estimate

TABLE 2-32

- Third Emergency Education Project (\$100 million)
- Emergency Road Rehabilitation Projects (\$135 million)
- Dokan and Derbandikhan Emergency Hydropower Project (\$40 million)
- Electricity Reconstruction (\$124 million)³⁷²

Of the \$500 million International Development Association (IDA) allocation to Iraq, 17% is allocated to projects in the Kurdistan Region (road and hydropower rehabilitation), at GOI's request.³⁷³ In March 2007, the World Bank Board of Executive Directors approved a credit of \$124 million for the Emergency Electricity Reconstruction Project; the total cost of the project is estimated at \$150 million. The World Bank has approved an additional \$6 million from the World Bank-administered Iraq Trust Fund, and the GOI is contributing \$20 million of its own resources.³⁷⁴

United Nations

The UN has committed to a more coordinated response to the growing humanitarian crisis in Iraq. The Office of the UN High Commissioner for Refugees (UNHCR) organized a major conference in Geneva on April 17-18, 2007, to explain the need for such a response and encourage donors to make it possible.³⁷⁵

The UN Country Team for Iraq has developed the Joint Priority Action Plan (JPAP) to support Iraq's development and reform goals. JPAP will be implemented over an 18-month

period. However, some aspects of the JPAP will be completed in 12 months for quick impact. The JPAP work plan features four work streams for a total resource requirement of \$240 million over 18 months:

- \$62.4 million will be used on upstream interventions, including policy, legislative support, institutional strengthening, and capacity building.
- \$127 million will support the provision of basic services, including \$56.5 million within priority districts.
- The remaining funds will be used to support specific basic services sectors (nationwide, regionally, or locally), including \$50.6 million for emergency preparedness and response interventions.³⁷⁶

European Commission

The European Commission (EC) is providing \$13.7 million to help meet the growing needs generated by the humanitarian crisis in Iraq. The EC will propose an initial funding package of \$8.32 million.³⁷⁷ Focusing on the most vulnerable groups, the aid would include basic health care and education, as well as targeted distributions of food and essential household items and support for the UNHCR refugee registration system. An initial funding package of around \$5.37 million will assist people inside Iraq.³⁷⁸

The EC has pledged approximately \$779 million for reconstruction assistance. Nearly a quarter of EC funding (24%) has been used to support education initiatives, 14% has sup-

ported health programs, 13% has supported poverty-reduction initiatives, 21% has supported the electoral/constitutional processes, and 28% has supported capacity building.

The \$252 million program announced for 2006 focuses on improving the quality of life of the Iraqi people by funding programs to:

- support basic services (\$223.65 million)
- provide a technical assistance facility to provide capacity building (\$7.56 million)
- support the Iraqi refugees inside Iraq (\$12.6 million)
- enhance the capacity of the Trade and Customs Administration (\$8.19 million)

The Trade and Customs Administration capacity-building initiative will support the EC-Iraq Trade and Cooperation Agreement. This agreement aims to improve the trade arrangements between Iraq and the EU, covering a wide range of issues, including trade in goods, services, measures to encourage investment, customs, intellectual and industrial property rights, and public procurement rules.³⁷⁹

International Monetary Fund

The International Monetary Fund (IMF) has completed its third and fourth reviews of Iraq's performance under its economic program supported by the Stand-By Arrangement. The GOI has not drawn on any of the funds available (about \$714.7 million), but they are maintained as an additional source of funding if needed. The Stand-By Arrangement was approved on December 23, 2005.

In completing the latest reviews, the IMF also approved the GOI's request for a six-month extension of the arrangement through September 28, 2007.³⁸⁰

INTERNATIONAL COMPACT FOR IRAQ

In March 2007, a meeting on the International Compact for Iraq (Compact) was held at the UN headquarters, attended by more than 80 countries and 8 regional groups. The meeting addressed the means to support the GOI in providing security and building institutions, as well as the commitments of other countries to the GOI in this endeavor. Since July 2006, the preparatory process for the Compact has been underway in Baghdad. This process included two high-level meetings in Kuwait and Abu Dhabi that brought together the GOI and the international community. In the March meeting, Iraq's Vice President shared the latest developments in Iraq, focusing on the progress that has been made in the preparatory process for the Compact. The UN Secretary-General appointed a Special Advisor to ensure coordinated support from the United Nations System in implementing the goals of the Compact and to serve as Co-Chair for the Compact.

The Compact focuses on four key reform and investment areas and two sectors: public resource management, governance and institutions, economic reforms, social sector reforms, and the energy and agriculture sectors. The Compact aims to achieve its objectives in two ways:

- a national compact among Iraqis on the necessary security and political steps to normalize the situation in Iraq and to revitalize the economy
- an international compact between Iraq and the international community that would set out the GOI's social reform agenda for the next five years, which would allow the international community to channel support for Iraq's priorities³⁸¹

The GOI has asked the international community for:

- financial assistance, including loans and loan guarantees, to support major investments in basic services that are currently beyond the GOI's financial and technical capacity to execute because of its volatile oil revenue stream
- debt relief to reduce non-Paris Club debt, reparations, and the remaining 20% of Paris Club debt by 2007
- managerial and technical assistance, particularly to government ministries that need enhanced capacity to manage public investment
- assistance with a private-sector development strategy and promotion of private investment
- institutional strengthening and capacity building of government and civil society institutions
- assistance with accession to international agreements and development of new regional and international initiatives

The additional international financial assistance would help fund the Investment and Action Plan for Growth (IAPG), a detailed plan to quantify Iraq's financial and technical needs. The GOI will develop the plan in coordination with a wide range of stakeholders, including the Iraqi and international banks, multilateral organizations, and the Iraqi private sector after the signing of the Compact. The plan will be an integral part of the formulation of Iraq's National Development Strategy (NDS). The IAPG will focus on the reconstruction of sectors that are key to Iraq's economic recovery, such as Energy³⁸² and Agriculture. Other sectors will be considered on a prioritized basis as part of the ongoing development of the National Development Strategy.

IRAQI FUNDS

The GOI has approved the 2007 budget. Total revenues for the Iraqi 2007 budget are \$33.7 billion, and budgeted expenditures are \$41.4 billion. The deficit of \$7.7 billion will be financed by funds carried forward from previous years. The revenue includes:

- taxes: \$757 million
- social contributions: \$6.3 million
- grants: \$1 million
- other revenues, including oil sales: \$32.9 billion
- sale of non-financial assets: \$48 million

Operating expenditures will increase by 18.7% to \$31.2 billion over 2006 budgeted amounts. Capital expenditures will increase by

22% to \$10.1 billion. Special initiatives totaling \$600 million include:

- Disarmament, demobilization, and reintegration (DDR), (\$150 million)
- Baghdad Jobs (\$100 million)
- Primary Education Construction (\$150 million)
- University Education Construction (\$100 million)
- Pensions for Former Military (\$100 million)

The Ministry of Finance receives the largest allocation—\$14.6 billion. The next largest allocations are to the Kurdistan region (\$4.8

billion) and the Ministry of Defense (\$4.2 billion). The 2007 budget includes provisions to improve budget execution. Article 14 states that the Minister of Finance coordinates with the Ministry of Planning and Cooperative Development to transfer appropriations if at least 25% is not expended by the first half of the fiscal year. Exceptions will be made for areas where security issues hindered implementation. Donor contributions will also be included in the budget if approved by the Council of Ministers.³⁸³ Table 2-33 shows the expenditures by entity.

SOURCES OF FUNDING

2007 IRAQI BUDGET EXPENDITURES (THOUSANDS)

	OPERATING EXPENDITURES	CAPITAL PROJECTS EXPENDITURES	TOTAL EXPENDITURES	PERCENTAGE OF TOTAL BUDGET EXPENDITURES
Ministries				
Ministry of Finance	\$14,440,344	\$111,029	\$14,551,373	35%
Ministry of Defense	4,126,424	48,000	4,174,424	10%
Ministry of Interior	3,168,425	40,000	3,208,425	8%
Ministry of Education	1,542,490	292,800	1,835,290	4%
Ministry of Health	1,488,600	344,400	1,833,000	4%
Ministry of Electricity	90,098	1,396,044	1,486,142	4%
Ministry of Higher Education and Scientific Research	665,015	207,177	872,191	2%
Ministry of Housing and Construction	85,603	337,778	423,382	1%
Ministry of Municipalities and Public Works	32,671	340,160	372,831	1%
Ministry of Water Resources	92,270	263,856	356,126	1%
Ministry of Oil	70,353	240,000	247,353	1%
Ministry of Foreign Affairs	216,182	15,000	231,182	1%
Ministry of Transportation	114,749	98,560	213,309	1%
Ministry of Planning and Development Cooperation	132,006	80,000	212,006	1%
Ministry of Labor and Social Affairs	86,426	112,800	199,226	*
Ministry of Communication	10,298	154,240	164,538	*
Ministry of Justice	115,814	10,200	126,014	*
Ministry of Agriculture	59,044	50,253	109,297	*
Ministry of Culture	47,153	20,620	67,773	*
Ministry of Sciences and Technology	47,040	18,747	65,787	*
Ministry of Youth and Sport	35,108	30,000	65,108	*
Ministry of Industry and Minerals	22,046	33,380	55,426	*
Ministry of Trade	32,497	12,400	44,897	*
Ministry of Environment	8,920	4,800	13,720	*
Ministry of Human Rights	12,051	1,600	13,651	*
Ministry of Displaced Persons and Migrants	5,294	800	6,094	*
Total Ministry Expenditures	\$26,746,921	\$6,424,644	\$33,171,565	75%

	OPERATING EXPENDITURES	CAPITAL PROJECTS EXPENDITURES	TOTAL EXPENDITURES	PERCENTAGE OF TOTAL BUDGET EXPENDITURES
Other Entities				
Kurdistan Region	\$3,213,085	\$1,572,800	\$4,785,885	12%
General and Local Administration in Governorates	39,124	208,320	247,444	5%
Council of Ministries	690,052	21,800	711,876	2%
Council of Representatives	291,627	5,800	297,427	1%
Council of Ministers Presidency	280,227	0	280,227	1%
Council of Ministers Secretariat	264,030	0	264,030	1%
Higher Judicial Council	115,789	20,000	135,789	*
Republic Presidency	93,937	0	93,937	*
Local Councils of Governorates	78,132	0	78,132	*
Iraqi Independent Electoral Commission	63,831	4,000	67,831	*
Shiite Endowment	54,515	9,000	63,515	*
Sunni Endowment	\$54,515	\$7,200	\$61,715	*
Board of Supreme Audit (BSA)	41,578	3,000	44,578	*
Commission on Public Integrity	26,486	2,800	29,286	*
Office of Commander in Chief of the Armed Forces	22,013	0	22,013	*
Iraqi Criminal Court	17,593	0	17,593	*
Iraqi Property Claims Commission	16,335	0	16,335	*
National Security Council	10,487	0	10,487	*
Christian and Other Sects Endowment	2,783	4,800	7,583	*
National Commission of de-Ba'athification	6,463	0	6,463	*
Iraqi Commission for Controlling Radiation Resources	1,506	800	2,306	*
Total Budget	\$31,249,730	\$10,132,244	\$41,381,974	

Source: Republic of Iraq Council of Representatives, February 10, 2007.

* Less than 1%.

TABLE 2-33